Kennesaw State Research and Service Foundation, Inc.

Policies and Procedures Manual

Updated January 2019
by
KSU Office of Research
KSU Office of Fiscal Services

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INTRODUCTION

The **Kennesaw State University Research and Service Foundation, Inc**. **(KSURSF)** is the contracting entity for externally funded projects at KSU. KSURSF was incorporated under Georgia law as a nonprofit corporation on September 7, 2005 and was granted 501(c)(3) status on December 20, 2007, with August 29, 2005 as the effective date of exemption. KSURSF serves Kennesaw State University as a University System of Georgia-approved cooperative organization. KSURSF is exempt from Federal income taxes under IRC Section 501(c)(3) as a nonprofit corporation. KSURSF's tax-exempt mission is to:

> ***KSURSF is organized and shall operate exclusively for scientific, scholarly, public service, creative, educational and charitable purposes.***

KSURSF is the applicant institution for all proposals for external funding and research contracts, and awarded projects are subcontracted to KSU under a master agreement between the KSURSF and the University.

KSURSF manages intellectual property and performs technology transfer functions for the University, taking assignment of inventions; obtaining patent, trademark, and copyright or other intellectual property protection; working with faculty to patent discoveries that have commercial and economic potential; and licensing inventions to the private sector in return for sharing royalty income with the faculty inventors to further the research mission of the University and support expanded faculty scholarship opportunities. KSURSF may also secure venture capital to support incubators and startups for relevant intellectual property development by KSU faculty and staff. The full intellectual property policy is accessible at https://research.kennesaw.edu/intellectual-property.php or in the KSU Faculty Handbook.

Any external funds, with a restricted purpose, that are presented to KSURSF, must meet at least one of the following criteria in order for the funds to be accepted and managed by KSURSF.

> 1) The business purpose relates to research and development, scholarship and/or innovation.
>
> 2) The business purpose includes generation and/or protection of intellectual property.
>
> 3) The business is research or service related and benefits the University, but includes contractual conditions that KSU, as a public university, cannot legally enter. Possible reasons that KSU could not enter into a contract are (but not limited to) indemnification, insurance, and accepting funds that can only be received by a 501 (c)(3).
>
> 4) KSURSF's Board of Directors recommends that the award be administered by KSURSF. Cases not meeting the criteria listed in 1-3 can be brought before the board in order for an award to be managed by KSURSF.

Any external funds that do not meet the above criteria will be directed to the University proper or a more appropriate cooperative organization of KSU for administration.

The following Policy and Procedures manual is intended to provide an overview of governance, and business policies and procedures including financial operations for the Kennesaw State University Research and Service Foundation, Inc., which shall be referred to as “KSURSF” or “the Organization” throughout this manual. The primary purpose of this manual is to formalize business practices, accounting policies and selected procedures and to document internal controls.

As a cooperative organization of Kennesaw State University, KSURSF has no employees of its own. All KSURSF work is performed by loaned staff from KSU. In this policies and procedures manual, where the word employee or staff is used, it will mean KSU-loaned staff performing KSURSF work.

All KSURSF affiliated staff are required to follow the policies herein, and any deviation from established policy must have written justification and authorization where required.

Formal training in regards to KSURSF Procedures and Policies shall occur for all new staff affiliated with KSURSF at the beginning of employment, and annual training shall be required and documented for all staff. Annual training will include a refresher on the existing KSURSF procedures and policies, and focus on problematic areas identified through internal evaluation and external audits, as well as presenting procedures and policies that were revised since the last training session.

FREQUENTLY ASKED QUESTIONS

Q: I would like to open an account with KSURSF. What do I need to do?

Please send an email to ksursf@kennesaw.edu with a brief summary of the purpose of the account. You will be sent a project initiation form, which will need to be completed prior to establishing a KSURSF account. KSURSF's primary mission is to support and increase research and scholarship activities at KSU, and the development, protection and management of intellectual property originating from the University's students, staff and faculty. Projects outside those of KSURSF's mission will be redirected to the University proper or a more appropriate cooperative organization of KSU for administration.

Q: Which expenses are allowed?

In general, KSURSF follows the expense and reimbursement policies of Kennesaw State University, with the exception that KSURSF may allow the use of its funds to pay costs associated with advancing its mission as stated in the Articles of Incorporation, even where KSU's policies would prohibit such payment. When there **is a valid business reason, consistent with KSURSF's mission**, to pay expenses that would not be allowed by KSU's policy, such payments are authorized as stipulated below.

KSURSF funds may not be used to pay or provide reimbursement for personal expenses of KSU employees or members of KSURSF's Board of Directors. In addition, KSU employees must submit **travel** requests and expense reports through Concur or other official travel mechanisms of the University as a requirement for approval and reimbursement for travel. KSURSF cannot reimburse travel-related expenses for KSU employees who have not made travel requests through the University's travel procedures.

Employee Meals

KSURSF funds may be used for payment to vendors or individuals for expenses related to meals incurred while conducting official University business. All such expenditures paid from KSURSF must be in accordance with the governing fund agreement (grant, contract or program intent) for that project account. The following information must be documented:

- Which KSURSF account is to be used?
- Where and when did the event occur?
- What was the business-related purpose of the event?
- How did the event benefit the University?
- Who was in attendance and what is their relationship to KSU? (student, faculty/staff, board member, trustee, corporate partner, vendor)
- What role did those in attendance have in the success of the event?

In most cases, all arrangements for meals or catering should be made using reasonably acceptable practices in accordance with the State of Georgia's per-diem guidelines. **All on-campus catered events must adhere to the Kennesaw State University Catering Policy. All requests for reimbursements using outside vendors must include an approved exemption form.** All attendees should be directly involved in the business purpose related to the meal and should not include spouses (unless their attendance has a bona fide business purpose that directly benefits the University).

As a general guideline associated with hosting meals, the cost of the meal can be determined by the type of event you are hosting and the business purpose related to the meal. Exceeding the allowable guideline amounts may be deemed permissible so long as it is appropriately documented and appropriate for the type of event held (For reference, see allowable Cost Matrix posted on the Office of Fiscal Services web-site: https://fiscalservices.kennesaw.edu/index.php).

Allowable Meals and Entertainment Expenses

The following are instances where meals and entertainment expenses are allowable:

1. *Meal expenses involving external University individuals* are authorized for conducting general University related business and cultivation of significant relationships to the University. The cost of these meals (including beverages) should be limited to no more than $15/person for breakfast, $25/person for lunch and $50.00/person for dinner (excluding gratuities). As a rule, no more than three (3) employees per official guest should be in attendance.
2. *Meal expenses involving larger groups of individuals, including both external and internal to the University,* are authorized for the purpose of conducting or attending seminars, conferences, or business meetings whose purpose is aligned with promoting and furthering the University's agenda, mission, and strategic plan. Lunchtime or other types of large group seminars and discussions, in which a featured guest is present, may include purchasing the meal for the featured guest. These meals should be limited to no more than $30 per person (excluding gratuities).
3. *Meal expenses related to meetings for University employees scheduled for conducting business related to University matters (trainings, problem solving, innovation, and department meetings)* are authorized, but restricted to those considered necessary for conducting business. The cost for these types of meals should be limited to no more than $15.00 - 20.00/person (excluding gratuities).
4. *Individual employee meal expenses must be reimbursed through the University* and are only allowable for official University business travel; they are subject to University System of Georgia guidelines for travel. Employee travel expenses such as transportation, mileage, lodging and meal per-diems must adhere to KSU and USG travel policies and procedures and be processed through the University's travel department for reimbursement. Please refer to the Kennesaw State University Travel Policy for information about reimbursable travel expenses. Travel cash advances are not allowed by KSURSF.

All requests for reimbursement must be accompanied by a receipt for the meal including the date, amount, and place of the meal, and the names and affiliation of the attendees, although descriptions may be generalized for groups larger than twelve participants.

Alcohol

Sponsored Agreement Funding: Where a sponsored agreement expressly authorizes the purchase of alcohol for an event, KSURSF will pay for the cost (either directly or through reimbursement) in accordance with the terms of the agreement and the policies enumerated in this section.

KSURSF Funding: Where the purchase of alcohol is not for a function funded and authorized by a sponsor as described above, the expenditure is subject to the approval of two KSURSF Board Officers. Examples include receptions to acknowledge and honor researchers, functions at University museums, and receptions for visitors. This list is not exhaustive.

Any allowable alcohol purchase should be justifiable and kept to a reasonable amount. Any alcohol related purchase viewed as excessive in cost may be denied by KSURSF at the discretion of the Chief Executive Officer, Chairperson, or Chief Operating Officer.

Other Non-KSU Allowed Expenditures

For all other expenditures that are not allowed per KSU policy, but which have valid business reasons and are consistent with KSURSF's mission, approval will be on a per case basis by the KSURSF Chief Executive Officer and KSURSF Treasurer. Such examples include first class travel for official visitors and discretionary spending other than elucidated above (e.g. flowers, gifts, receptions, office parties); this list is not exhaustive.

Q: Can I get paid by KSURSF? Can I pay any faculty through KSURSF?

Royalties from the licensing or sales of intellectual property can be paid to the originator, but stipends and pay for work must go through the University payroll.

Q: I have an invoice. How do I get it paid from a KSURSF account?

Invoices submitted for reimbursement should be no more than 20 days old. Please see FAQ no. 2 for allowable expenses. Submit a completed KSURSF Payment Request Form with a detailed and itemized invoice to invoiceksursf@kennesaw.edu. Submit one request form per each invoice.

KSURSF requires two signatures in order to process a payment/reimbursement request. *The project director is responsible for ensuring that the appropriate signatures are obtained.* If someone other than the project director initiates a payment/reimbursement request, the project director must be the required second signature. If the project director initiates a payment/reimbursement request, the project director's supervisor (e.g. chair or dean) must be the required second signature.

Q: I have already paid for some project expenses and would like to be reimbursed from a KSURSF account. What do I need to do?

Invoices submitted for reimbursement should be no more than 90 days old. Please see FAQ above for allowable expenses. Submit a completed KSURSF Payment Request Form with a detailed and itemized invoice to Accounts Payable.

KSURSF requires two signatures in order to process a payment/reimbursement request. *The project director is responsible for ensuring that the appropriate signatures are obtained.* If someone other than the project director initiates a payment/reimbursement request, the project director must be the required second signature. If the project director initiates a payment/reimbursement request, the project director's supervisor (e.g. chair or dean) must be the required second signature.

Q: I used my personal vehicle for project-related activities. How do I get reimbursed from my KSURSF account?

Mileage reimbursements must be paid by KSU and require submission of a travel request approval prior to travel and a travel-related expense statement after travel is completed using the University's official travel procedures. KSURSF does not reimburse mileage expenses directly to the traveler, but awards the funds to KSU once the conditions of travel are satisfied and approved. See the allowable expenses FAQ above.

Q: I need to hire a consultant. What do I need to do?

If you intend to pay a consultant $5,000 or less from your KSURSF account on a ***non-recurring basis***, please submit a detailed invoice from the consultant, including a statement of work, and a payment request form to Accounts Payable. A consulting agreement is required for services that will cost more than $5,000, as well as all recurring payments. Please contact ksursf@kennesaw.edu. The consulting agreement must be signed by the consultant and the KSURSF Chief Operating Officer or delegated signatory.

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Board of Directors

KSURSF is governed by its Board of Directors, which is responsible for the oversight of the Organization. Board responsibilities and governance issues are contained in the Kennesaw State University Research and Service Foundation bylaws. http://research.kennesaw.edu/ksursf/documents/incorporation-bylaws.php. The following are some of the responsibilities assigned to the Board.

- Financial Responsibility: Assure financial responsibility by approving the annual budget and overseeing adherence to it; contracting for an independent audit; ensuring that proper financial controls are in place and controlling the investment policies and management of capital or reserve funds. The Board's role in the annual audit is more fully explained in the section of this manual covering the annual audit.

- Planning Oversight and Support: Oversee and evaluate strategic business plans and to support management in carrying out those plans.

- Governance: Have the principal responsibility for fulfillment of KSU Research Foundation's mission and the legal accountability for its operations. Board members govern the Research Foundation by broad policies and objectives formulated and agreed upon by the Chief Executive Officer, Board members and research administrative staff. Board members attend to policy-related discussions that guide operational activities of the staff, approve long-range goals and provide counsel to management.

- Mission: Have the responsibility to review the mission statement periodically for accuracy and validity.

- Self-Assessment: Evaluate how well the Board is performing, recognize its achievements and reach consensus on which areas need to be improved.

- Approvals: Consider and vote on requests that require board approval (use of KSURSF funds above $5,000, meals exceeding policy limits …)

The Executive Committee, consisting of the Officers of the Board, serves as the primary point of contact for any person who suspects that fraud has been committed against the Organization.

The Roles of the Chief Operating Officer

The Vice President for Research at KSU shall serve as the Chief Operating Officer (COO). The COO shall have, subject to the direction of the Board of Directors and its Executive Committee, direct administrative supervision over, and immediate authority with respect to the conduct of business and affairs of the corporation. The Chief Operating Officer shall prepare the agenda for and attend each meeting of the Board of Directors unless otherwise directed by the Board, and shall prepare the agenda for and attend each meeting of the Executive Committee unless otherwise directed by the chairperson of said Committee. The Chief Operating Officer shall also perform whatever additional powers the Board of Directors shall from time to time assign or as are reasonably incidental to the office. KSURSF has no employees of its own. All KSURSF work is performed by loaned staff from KSU.

ACCOUNTING AND OPERATIONS DEPARTMENT OVERVIEW

Organization

The Grants and Contracts Accounting Office, housed within the Office of Fiscal Services (http://fiscalservices.kennesaw.edu/), is to provide fiscal support to the University in its contribution to the fulfillment of the scientific and technical needs of the State of Georgia through education, research and service. The primary function of Grants and Contracts Accounting Office is the financial administration of Kennesaw State University and Kennesaw State University Research and Service Foundation grants and contracts. The Director of Grants and Contracts Accounting (http://fiscalservices.kennesaw.edu/about/leadership.php) is the lead administrator in the Grants and Contracts Accounting Department Office, which includes Grants and Contracts Accounting Managers for KSURSF and KSU and additional accounting staff for the purposes of providing financial post-award services (http://research.kennesaw.edu/about/staff.php). The Director of Grants and Contracts Accounting is a direct report to the Associate Controller Financial Reporting within the Office of Fiscal Services, and works cooperatively with the Chief Operating Officer (COO) of KSURSF/VP Research.

Grants managers and grants assistants (http://research.kennesaw.edu/about/staff.php) provide non-financial, post-award services in the Office of Research, which includes assistance in the management of a sponsored project and to ensure that the project complies with the financial terms of the agreement. Although the Office of Research, Grants and Contracts Accounting Office or departmental or administrative personnel may assist the PI with administrative activities related to the grant or contract, the PI must provide guidance and oversight.

The Office of Grants and Contracts Accounting with the Office or Research are required to follow an established set of guidelines and policies set forth by the Federal Government, State of Georgia and the Board of Regents.

Responsibilities

The primary responsibilities of the KSURSF Accounting and Operations Department include:

- General ledger
- Budgeting
- Cash management
- Grants and contracts administration
- Accounts receivable and billing
- Cash receipts
- Accounts payable
- Cash disbursements
- Financial statement processing
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government reporting requirements
- Annual audit preparation

- Leases
- Insurance

<u>Standards for Financial Management Systems (Federal Government Grants)</u>

In accordance with 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, KSURSF maintains a financial management system that provides for:

1. Accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of 2 CFR 200 and/or the award.

2. Records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.

3. Effective control over and accountability for all funds, property, and other assets. KSURSF shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.

5. Written procedures to minimize the time elapsing between the transfer of funds to KSURSF from the U.S. Treasury and the issuance and redemption of checks, warrants, or payments by other means for program purposes by the recipient.

6. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

7. Accounting records, including cost accounting records, supported by source documentation.

Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

BUSINESS CONDUCT

Practice of Ethical Behavior

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of KSURSF depend to a very large extent on the following considerations.

Each employee must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. Each employee is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees should ask themselves the following questions:

1. Is my action legal?

2. Is my action ethical?

3. Does my action comply with KSURSF policy?

4. Am I sure my action does not <u>appear</u> inappropriate?

5. Am I sure that I would not be embarrassed or compromised if my action became known within the Organization or publicly?

6. Am I sure that my action meets my personal code of ethics and behavior?

7. Would I feel comfortable defending my actions on the 6 o’clock news?

Each employee should be able to answer "yes" to all of these questions before taking action.

Each director, manager and supervisor is responsible for the ethical business behavior of her/his subordinates. Directors, managers and supervisors must carefully weigh all courses of action suggested in ethical, as well as economic terms, and base their final decisions on the guidelines provided by this policy, as well as their personal sense of right and wrong.

Compliance with Laws, Regulations, and Organization Policies

KSURSF does not tolerate:

- The willful violation or circumvention of any Federal, state, local, or foreign law by an employee;
- The disregard or circumvention of KSURSF policy or engagement in unscrupulous dealings.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

The performance of all levels of employees will be measured against implementation of the provisions of these standards.

Failure to follow policies and procedures is a serious matter. All employees will be required to comply with KSURSF'S policies and procedures. Compliance will be evaluated during the annual performance review process, which includes due process and corrective action planning. KSURSF management will perform an evaluation responsibilities consistent with policies and procedures developed by the Office of Human Resources.

CONFLICTS OF INTEREST

Introduction

In the course of business, situations may arise in which an Organization decision-maker has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest.

All directors and employees are covered by Kennesaw State University's Conflict of Interest policy.

Disclosure Requirements

A director or employee who believes that he/she may be perceived as having a conflict of interest in a discussion or decision must disclose that conflict to the group making the decision. Most concerns about conflicts of interest may be resolved and appropriately addressed through prompt and complete disclosure.

Therefore, KSURSF requires the following:

1. On an annual basis, all members of the Board of Directors shall submit a Conflict of Interest disclosure, in writing, to the Board Secretary, of all reportable conflicts or confirm that there are no conflicts to report.

2. Prior to the preparation of the disclosure statements, the accounting department shall distribute a list of all vendors with whom the Organization has transacted business at any time during the preceding year, along with a copy of the disclosure statement;

3. The Chief Executive Officer shall review all forms completed by directors save his or her own, and determine appropriate resolution in accordance with the next section of this policy. The Chairperson of the Corporation shall review the CEO's form and determine appropriate resolution in accordance with the next section of this policy.

4. If a conflict arises during the year, the board member will immediately notify the CEO or Chairperson, as applicable, who will determine appropriate resolution.

Resolution of Conflicts of Interest

All real or apparent conflicts of interest shall be disclosed as enumerated above. Conflicts shall be resolved as follows:

- The **Chief Executive Officer** shall be responsible for making all decisions concerning resolutions of conflicts involving directors.
- The **Chairperson of the Corporation** shall be responsible for making all decisions concerning resolutions of conflicts involving the **Chief Executive Officer**.

A director may appeal the decision that a conflict (or appearance of conflict) exists as follows:

- An appeal must be directed to the chair of the board.
- Appeals must be made within 30 days of the initial determination.
- Resolution of the appeal shall be made by vote of the full Board of Directors.
- Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the board.

The CEO may not appeal the decision that a conflict (or appearance of conflict) exists.

A board member who violates this policy will be removed from the board.

POLICY ON SUSPECTED MISCONDUCT

Introduction

As all employees are Kennesaw State University employees, KSURSF follows Kennesaw State University's policy on suspected misconduct.

Whistleblower Protection

KSU's Whistleblower Protection policy extends to KSURSF because all KSURSF workers are KSU employees. The Organization will consider any reprisal against a reporting individual an act of misconduct subject to disciplinary procedures. A "reporting individual" is one who, in good faith, reported a suspected act of misconduct in accordance with KSU's policy, or provided to a law enforcement officer any truthful information relating to the commission or possible commission of a Federal offense or any other possible violation of the Organization's Code of Conduct.

Protection of Records – Federal Matters

KSURSF prohibits the knowing destruction, alteration, mutilation, or concealment of any record, document, or tangible object with the intent to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States government, or in relation to or contemplation of any such matter or case.

Violations of this policy will be considered violations of the Organization's Code of Ethics and subject to KSU investigative, reporting, and disclosure procedures

SECURITY

Accounting Department

Locks will be maintained on all KSURSF Accounting and Operations Department office doors. These doors shall be closed and locked in the evenings and whenever the offices are vacant. The keys to these doors will be provided to key accounting personnel and other personnel as approved by the University Controller in agreement with the COO/VP of Research. Whenever any of these individuals leaves the employment of KSU's Office of Research, they are required to submit their key to Card Services.

KSURSF's blank check stock shall be stored in a secure file cabinet. This cabinet will be locked with a key that is kept in the KSURSF Accounting Department Office. Access to this file cabinet shall be by keys in the possession of the Director of Grants and Contracts Accounting and/or KSURSF Accounts Manager or duly authorized accounting personnel.

There is no petty cash.

Access to Electronically Stored Accounting Data

KSURSF utilizes passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

KSURSF personnel are expected to keep their passwords secret and to change their passwords on a regular basis. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

Storage of Back-Up Files

KSU's ESS department maintains back-up copies of KSURSF electronic data files.

Storage of Sensitive Data

All sensitive data, such as **social security numbers of employees or clients, *etc.*,** is stored in locked filing cabinets or drawers in the KSURSF Accounting Department Office.

Destruction of Consumer Information

All sensitive data must be securely stored and shredded when no longer needed. KSURSF will also shred all consumer information obtained by the Organization for any reason. Shredding will be performed on an as needed basis and shall be made a part of the Record Retention policy (see the "Fiscal Management" policies section of this manual).

General Office Security

During normal business hours, visitors may visit KSURSF offices. After hours, a security key is required for access to the offices of KSURSF. Keys are issued only to staff. KSURSF's Accounting Department Office currently is located in Town Point. All visitors should check in to the main Fiscal Services Office on the third floor of Town Point.

TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

Purpose and Scope

KSURSF uses technologies and communications systems that are maintained by KSU. Therefore, KSURSF will defer to KSU's policies on IT & Data Security.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is the collection of all asset, liability, net assets, revenue and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system and the basis for the accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

KSURSF's chart of accounts is comprised of the following table-driven segment structure:

1. Fund
2. Project Director
3. College
4. Department
5. Project
6. Funder
7. Program
8. G/L Account Code
9. Restriction

Distribution of Chart of Accounts

All KSURSF employees involved with account coding or budgetary responsibilities have access to a current chart of accounts, in the accounting system.

Control of Chart of Accounts

The Director of Grants and Contracts Accounting monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Director of Grants Accounting, who ensures that the chart of accounts is consistent with the Organizational structure of KSURSF and meets the needs of each division and department.

Account Definitions

Category	Account Code Description	Definition
Fund	1-digit numeric code	KSURSF uses 2 fund codes to designate between all other funds and the Community Clinic Funds. 1 = KSURSF Operating 2 = Community Clinic
Project Director	An alpha code that varies in length.	In the past KSURSF has used this classification to distinguish data between project directors. Currently most projects automatically “NONPI” in this field unless there are special circumstances that warrant this data.
College	An alpha code that varies between 2 and 5 characters.	This classification is used to denote the identity of the academic college in which a project originates.
Department	An alpha code that varies in length	This classification is used to denote the identity of an operating unit in which a project originates
Project	Usually a 7-digit alpha numeric code.	This classification is used for the identification of projects, which may be either general or sponsored.
Funder	A code that is no more than 5 alpha numeric characters.	This classification is used to denote the sponsor or funding agency for a project. When a project is an operating account or has multiple funders, we designate the funder as “NFR.”
Program	2-digit numeric code	This classification identifies the functional area of a transaction. (e.g. Research, Management and General, Develop Intellectual Property, Community Clinic)
G/L Account Code	4-digit numeric Code	The G/L Account Code is used for detailed breakdown of types of revenue, expenditures, or balance sheet accounts.
Restriction	1-digit numeric code	This classification is used to determine if specific funds have met a condition (e.g. an event was held, a time frame expired)

Fiscal Year of Organization

KSURSF shall operate on a fiscal year that begins on July 1 and ends on June 30, which coincides with the State of Georgia's fiscal year. Any changes to the fiscal year of the Organization must be ratified by majority vote of KSURSF's Board of Directors.

Accounting Estimates

KSURSF utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment

2. Fair values of investments

3. Fair values of donated assets

4. Values of contributed services

5. Joint cost allocations

6. Allocations of certain indirect costs

7. Allocations of time/salaries

The Director of Grants Accounting will reassess, review, and approve all estimates yearly. All key conclusions, bases, and other elements associated with each accounting estimate shall be documented in writing. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Board of Directors.

Journal Entries

All general ledger entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, including an explanation of each such entry. Examples of such journal entries are:

1. Recording of noncash transactions

2. Corrections of posting errors

3. Nonrecurring accruals of income and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets

2. Amortization of prepaid expenses

3. Accruals of recurring expenses

4. Amortization of deferred revenue

Recurring journal entries shall be supported by a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, a journal voucher.

All journal entries not originating from subsidiary ledgers shall be entered by KSURSF Accounting Staff, and approved by a second member of the KSURSF Accounting and Operations.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

The Kennesaw State University Research and Service Foundation, Inc. (KSURSF) is the contracting entity for externally funded projects at KSU. KSURSF receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

1. **Grant Revenue** - Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards) – also see the later section on federal awards.

2. **Sales and Service Revenue**- Recognized when funds are received (even when funds are received upfront), does not include multiple deliverables, has a small profit element and/or has multiple funders, it is considered without restriction funds. (Generally, external funds not linked to the use of intellectual property, research, scholarship or innovation, Page 9).

3. **Royalties Revenue** – Recognized when received and considered without restriction funds.

4. **Subscription Revenue** - When material, revenue will be recognized ratably over the subscription term (1/12 per month for annual memberships). If immaterial, revenue will be recognized when received.

5. **Advertising Revenue** – Ratably over the specified term.

6. **List Rental Revenue** – Recognized when received.

7. **Sponsorships Revenue** - Recognized when received, unless accompanied by restrictions or conditions (see the next section on contribution income).

8. **Contributions** - Recognized as income when promised/pledged. If no restrictions exist, contributions are considered without restriction funds. If restrictions exist, the funds are considered with restriction and released at the fiscal year end (see the next section on contribution income).

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e., recorded as revenue when received) as deemed appropriate by the Director of Grants Accounting.

Revenue from Multiple Deliverable Arrangements

KSURSF generates some of its revenue from multiple deliverable arrangements in which the Organization provides more than a single product or service in exchange for a single price.

It is the policy of KSURSF to segregate revenue arrangements with multiple deliverables into their separate units, and develop separate revenue recognition policies for each unit, if all three of the following conditions are present:

1. The delivered item(s) has value to the customer on a stand-alone basis (this is evidenced by the fact that each item is also sold separately by the organization or the customer could resell the delivered item(s) on a stand-alone basis);

2. There is objective and reliable evidence of the fair value of any undelivered item(s); and

3. If the arrangement includes a general right of return relative to delivered items, delivery or performance of the undelivered item(s) is considered probable and substantially in the Organization's control.

If these three conditions are present, an estimate of the fair value associated with each unit shall be determined by the Director of Grants Accounting, and appropriate revenue recognition methods will be followed separately for each unit (meaning, when revenue is received, a portion of the revenue associated with one of the units may be recognized as revenue, while the portion associated with an undelivered unit may be deferred as a liability of the Organization).

<u>Refunds of Revenue Received</u>

The following policies apply to refunds associated with revenue collected by KSURSF:

It is the policy of KSURSF to require the following in connection with any refund transaction:

1. A Request for Payment form must be submitted. The description on the form must specify this is a refund.
2. Approval by the Project Director (by signing the Request for Payment Form).

****Please note that a refund is less KSURSF's 3% Management Fee****

Project Directors can send the whole refund amount back to the customer and absorb the 3% management fee or choose to send a refund back to the customer less the 3% management fee.

KSURSF leaves determination of refunds for products, services, or events up to the discretion of our Project Directors. Therefore, in order to obtain a refund for a vendor, the Project Director must follow KSURSF procedures outlined above.

GIFT ACCEPTANCE

Overview of Gift Acceptance Policies

A gift/contribution is consideration given to the Organization for which the donor receives no direct benefit and requires nothing in exchange (it is nonreciprocal) other than assurance that the intent of the contribution will be honored by KSURSF. Two broad principles apply to all gifts given to the Organization:

1. A gift shall not be accepted that is not in the charitable interest of the donor, considering the donor's financial situation and philanthropic interests, as well as tax, legal, and other relevant factors.

2. A gift shall not be accepted unless there is a reasonable expectation that acceptance of the gift shall ultimately benefit KSURSF

Categories of Gifts

Gifts to the Organization are classified into two categories, based on the level of risk associated with acceptance of the gift.

Gifts of **marginal risk** include the following:

- Cash and cash equivalents (e.g. certificates of deposit)
- Gifts of securities actively traded on a U.S. public market (e.g. publicly-traded stocks, mutual funds, corporate and government bonds, etc.)
- Equipment/property with a fair value of less than $5,000 (new or used)

Gifts of the preceding three categories shall be considered to be of marginal risk only if they are either without restriction or with restriction to one specific, existing KSURSF program

Gifts of **greater-than-marginal risk** include the following:

- Any gift requiring the acceptance of a restriction that (a) is not clearly identifiable with an existing program of KSURSF, (b) would require the addition or modification of a KSURSF program, (c) would not be consistent with the mission of KSURSF, (d) would not be consistent with KSURSF's tax-exempt purpose under IRC section 5901(c)(3), (e) would violate any federal, state or local law or regulation, or (f) would result in excessive control to the donor, or anyone designated by the donor, over the subsequent use of the contributed asset
- Any gift from a donor involved in businesses or activities that may be deemed to be inconsistent with the mission of KSURSF
- Equipment/property with a fair value of $5,000 or more (new or used)
- Real property (either an outright gift of property or the donated use of such property)
- Non-publicly-traded securities (e.g. ownership interests in privately-held businesses, partnerships, etc.)
- Charitable remainder trusts

- Charitable lead trusts
- Conditional promises to give/pledges
- Unusual items or items of questionable value (including works of art, animals, historic artifacts, memorabilia, etc.)
- Life insurance
- Notification of the intent to give non-cash assets through a bequest

Gift Acceptance Procedures

Gifts of marginal risk may be accepted by the **KSURSF** without any further review and approval. Gifts of greater-than-marginal risk may be accepted only after review and approval of the Chief Operating Officer. This review and approval shall be documented on a Gift Acceptance form.

It is also the policy of KSURSF to liquidate all gifts of publicly-traded securities within ten days of receipt unless it is determined by the Chief Operating Officer that holding the securities as an investment of the organization would be fiscally prudent, appropriate and consistent with the Organization's investment policies.

CONTRIBUTION ACCOUNTING

Definitions

The following definitions shall apply with respect to the policies associated with revenue and related assets described in this manual:

Contribution – An unconditional transfer of cash or other assets to the Organization, or a settlement or cancellation of the Organization's liabilities, in a voluntary nonreciprocal transfer by another entity or individual.

Condition – A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the Organization or releases the promisor from its obligation to transfer its assets. In practical terms, this means a donor has imposed some type of stipulation other than a purpose or time period stipulation (which is defined as restrictions below) and that condition has some degree of uncertainty as to whether or not it will occur, and if the condition is not met, the organization is not entitled to the contribution. Conditions may or may not be within the control of the organization.

Restriction – A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period or is more specific than the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in the Articles of Incorporation and Bylaws. Restrictions on the use of an asset may be temporary or permanent.

Nonreciprocal Transfer – A transaction in which an individual or entity incurs a liability or transfers assets to KSURSF without directly receiving value in exchange.

Promise to Give – A written or oral agreement to contribute cash or other assets.

Exchange Transaction – A reciprocal transaction in which KSURSF and another entity each receive and sacrifice something of approximately equal value. **(Typically, but not limited to, grant revenue or sales and service revenue.)**

Distinguishing Contributions from Exchange Transactions

KSURSF receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. KSURSF shall consider the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

Indicator	Exchange Transaction	Contribution
KSURSF's intent in soliciting the asset	KSURSF asserts that it is seeking resources and will provide specified benefits	KSURSF asserts that it is soliciting a contribution
Funder's expressed intent about the purpose of the asset to be provided	Funder asserts that it is transferring resources in exchange for specified benefits	Funder asserts that it is making a contribution to support the nonprofit organization's programs
Method of delivery of the assets to be provided by KSURSF	Funder specifies how to conduct the activity, such as describing the protocol of the testing (in the case of research)	Funder specifies broadly defined activities or the goal of the activity and leaves the delivery method to the discretion of KSURSF
Payment Amount	Funder pays KSURSF an amount equal to the value of the assets provided by the organization or the assets' cost plus markup (that is, the transaction typically includes a profit portion)	Funder determines the amount of payment. The amount is equal to the cost of the assets provided by the organization or is a subsidy to that cost.
Penalties assessed if KSURSF fails to make timely delivery of assets	KSURSF is penalized for nonperformance. Penalties contain punitive damages	KSURSF is not penalized for nonperformance. Penalties are limited to the delivery of assets already produced and the return of the unspent amount.
Delivery of assets to be provided by the nonprofit organization	Funder requires the organization to deliver specific gods or services (e.g. technical assistance or training) to the funder or to individuals or entities specified by or closely connected to the funder.	Funder requires the organization to deliver goods or services (e.g., technical assistance or training) to the portion of society served by the organization's programs or to the general public.

Recognition of Contribution Income (GAAP)

KSURSF shall recognize contribution income based on the following factors:

1. Unconditional contributions of assets (cash, property, etc.) shall be recognized as income upon receipt of the asset by the Organization

2. Unconditional promises to contribute assets shall be recognized as income upon receipt of clear communication of the promise from the donor or the donor's legal representative (e.g. trustee, attorney, *etc.*) – see additional guidelines in the next section

3. Conditional contributions and conditional promises to give shall be recognized as income when conditions are met. May or may not be restricted once conditions are met.

4. Contributed services shall be recognized as income only to the extent that the contributed services possess either one of the following characteristics:
   a. The service creates or enhances a nonfinancial asset (e.g. land, buildings, intangible assets, *etc.*), or
   b. The service requires a specialized skill, it is provided by an individual possessing that skill, and the service is one that would typically need to be purchased if it had not been contributed to the organization.

   Examples of services contributed to KSURSF that ordinarily meet one of these criteria include:

   Loaned Staff
   Donated Rent

All non-cash contribution income received shall be recorded at fair value (see policy in next section).

Contribution income shall be classified as with restriction or without restriction in accordance with the definitions and guidelines described earlier.

Valuation of Non-Cash Contributions

As stated in the preceding section, all non-cash contributions of assets shall be recorded at their fair value as of the date of the gift. Fair values used in accounting for donated assets shall be determined by the Organization, not by the donor, although in some cases a value may have been provided by a donor (see subsequent policies associated with IRS Form 8283).

The determination of the fair value of donated assets shall be determined as follows:

1. For contributions of publicly-traded securities, fair value shall be determined by an appropriate staff member in the Office of Research or the Office of Fiscal Services based on a Web-based search (using [E*Trade]) of the closing price of the security on the date that the security was transferred to KSURSF (in addition, a print-out of this Web search shall be retained in the accounting department's records for future reference and substantiation of this procedure).

2. For contributions of equipment/property and real property, fair value shall be determined in one of two ways: 1) by the an appropriate staff member in the Office of Research or the Office of Fiscal Services, using appropriate public records (price lists for new assets, other guides for used assets) subject to the review and approval of the Chief Operating Officer. Such valuation will be documented using a standard form, or 2) determined by an appraisal performed by an independent appraiser hired by KSURSF (not an appraiser hired by the donor).

3. For contributions of all other assets, fair value shall be determined by an appropriate staff member in the Office of Research or the Office of Fiscal Services using appropriate reference materials, or an independent appraiser hired by KSURSF.

For contributed services that meet the previously described criteria for recording, the fair value of the services shall be determined by multiplying the hours worked by each volunteer, as documented on the Organization's Volunteer Time Sheet, by an applicable hourly rate. The applicable hourly rate shall be determined by the Director of Grants and Contracts Accounting or designee, and shall generally be equal to an estimate of an hourly wage or an hourly rate typically charged by external contractors possessing the skills provided by the volunteer.

All determinations of hourly rates used to value contributed services shall be reviewed and approved by the Director of Grants and Contracts Accounting in the Office of Fiscal Services.

Unconditional Promises to Give

- Unconditional promises to give shall be recorded as assets and increases with restriction or without restriction net assets (contribution income) in the period that KSURSF receives communication of the promise.
- Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management.
- Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value.
- Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to KSURSF at the time the Organization receives a promise from a donor, considering the dollar amount of the promise and the time period of the promise (e.g. for promises of less than $100,000, the Organization shall generally use the interest rate applicable to certificates of deposit for the same approximate duration available from its bank).
- When the final time or use restriction associated with a contributed asset has been met, a reclassification between with restriction or without restriction net assets shall be recorded.

Conditional Promises to Give

The Organization shall not record an asset or contribution income for any conditional promise to give. However, the Organizational shall maintain a record of such conditional promises to give and monitor these gifts for purposes of identifying when the condition associated with each such promise has been satisfied. As noted below, this schedule shall also be used in connection with preparing the organization's footnote disclosures associated with contributions.

Receipts and Disclosures

KSURSF and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying regulations. To comply with those rules, KSURSF shall adhere to the following guidelines with respect to contributions received by the Organization.

The Accounting Department shall provide a receipt to the donor for every separate contribution received. All receipts shall include the following information:

1. The amount of cash received and/or a description (but not an assessment of the value) of any noncash property received;

2. A statement of whether KSURSF provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received, and

3. If any goods or services were provided to the donor by KSURSF, a description and good faith estimate of the value of those goods or services.

When KSURSF receives cash in excess of $75, or noncash property with a value in excess of $75, as part of a quid pro quo transaction, the Organization shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo transaction" is one in which KSURSF receives cash or property in a transaction that is part contribution and part exchange transaction (i.e., the value of the goods or services provided to the donor by KSURSF is less than the value of cash or property provided by the donor). In such instances, KSURSF shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by KSURSF may be deducted as a charitable contribution. The receipt shall also include a good-faith estimate of the fair market value of the goods or services provided to the donor by KSURSF.

IRS rules provide for certain exceptions to the preceding disclosure rules applicable to quid pro quo transactions. As such, KSURSF shall not provide receipts when it receives cash or property in excess of $75 in any of the following circumstances:

1. The goods provided to the donor during the fiscal year bear KSURSF's name or logo and have an aggregate cost of $9.50 or less and the donor gave the Organization at least $47.50;

2. The goods provided to the donor during the fiscal year have a fair market value equal to no more than 2% of the contribution or $95, whichever is less; or

3. The gift received by KSURSF resulted from the Organization's fiscal year fund-raising appeal that included articles worth no more than $9.50, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

The preceding thresholds are adjusted for inflation by the IRS on an annual basis. Inflation adjustments subsequent to 2009 are incorporated into this policy manual by reference.

All estimates of the fair market value of goods or services provided by KSURSF shall be prepared by the KSURSF Accounting and Operations Department.

KSURSF complies with all current Federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

IRS Form 8283

In certain instances, KSURSF may be requested to sign a Form 8283 (section b, Part IV) by a donor who has made a material contribution of non-cash assets to the Organization. The signature of an organization official on Form 8283 signifies an acknowledgement of the description of the donated asset and the date of the gift. It does NOT represent any level of certification of or agreement to the valuation of the gift that has been assigned by the donor or the donor’s appraiser, but it does serve to inform KSURSF of the value intended to be deducted by the donor, which is useful in connection with the subsequent filing of Form 8282 (see the next section for the policies regarding Form 8282).

Any Form 8283 presented by a donor for signature by KSURSF shall be reviewed, along with the donated asset and any relevant documentation pertaining to the asset’s description and condition, by the Executive Director of Sponsored Programs who shall have final responsibility for agreeing or disagreeing with the donor’s description of the asset and for signing the Form 8283.

The Executive Director shall retain a copy of any Form 8283 that has been signed, and shall forward a copy of each Form 8283 to the Director of Grants and Contracts Accounting for subsequent tracking of the donated asset (see related policy below).

IRS Form 8282

When KSURSF subsequently sells assets that have been contributed to it, the filing of a Form 8282 may be required. Among the exceptions from filing Form 8282 are subsequent sales of assets contributed to the Organization more than three years before the sale, and sales of assets that when contributed had a fair value of $5,000 or less, as evidenced by the Form 8283 presented to the Organization by the donor at the time of the gift.

Form 8282 is not required with respect to donated assets that are consumed or distributed in fulfillment of the Organization's tax-exempt mission.

Responsibility for tracking donated assets and determining whether filing Form 8282 is required is assigned to Director of Grants and Contracts Accounting. It is the policy of KSURSF to file such forms in a timely manner (within 125 days of the sale). Upon completion of a Form 8282 by the Director of Grants and Contracts Accounting the form shall be reviewed and signed by the Executive Director of Sponsored Programs or KSURSF COO and returned to the Director of Grants and Contracts Accounting, who will delivery of the form to IRS by mail.

A Form 8282 shall also be prepared and filed if KSURSF transfers a donated asset to another charitable nonprofit organization (subject to the same exceptions as described above). In such cases, the Form 8282 shall be filed with IRS within 125 days of the transfer and a copy of the Form 8282 shall be provided to the successor nonprofit organization with 15 days of filing the Form 8282 with the IRS, along with a copy of the original Form 8283 received from the donor.

Disclosures of Promises to Give

As stated earlier, KSURSF shall record an asset and an increase in net assets for unconditional promises to give. In addition, in connection with its annual financial statements, KSURSF shall prepare a schedule of unconditional promises to give that discloses the annual amounts to be collected in each of the next five fiscal years, and a total amount due thereafter, less the amount representing interest as a result of discounting long-term promises to give to net present value.

In connection with conditional promises to give, which shall not be recorded on the financial statements, KSURSF shall nonetheless prepare a similar schedule of future payments for disclosure in the Organization's annual financial statements.

Endowment Funds

It is the policy of KSURSF to establish and accept endowments that are with restriction for the benefit of one or more programs or purposes within the scope of the Organization's mission, subject to the gift acceptance policies described earlier.

It is also the policy of the Organization to account for all endowment in accordance with any and all explicitly communicated donor-imposed stipulations that have been accepted by the organization, including stipulations associated with the classification of subsequent interest income, dividend income, realized gains and losses, unrealized gains and losses, and other investment income as with restriction or without restriction, as well as future appropriations and expenditure of endowment funds. To the extent the Organization has accepted an endowment that does not include explicit donor stipulations regarding subsequent accounting for and classification of the endowment or investment income or for the appropriation and expenditure of endowment funds.

In connection with all endowment funds of the Organization, KSURSF shall disclose in a footnote to its annual financial statements all of the following information:

1. A description of the board's interpretation of relevant state law regarding the net asset classification of donor-restricted endowment funds;

2. A description of the Organization's policies for the appropriation of endowment assets for expenditure;

3. A description of the Organization's endowment investment policies, including, at a minimum:
   a. The Organization's return objectives and risk parameters
   b. How those objectives relate to the Organization's endowment spending policies, and
   c. The strategies employed for achieving those objectives;

4. Endowment fund net asset composition by classification (with restriction or without restriction) in total and by type of endowment fund, and cumulative investment return, if any, contained in the with restriction net asset class resulting from the Organization's interpretation of relevant state law, beyond the amount required by explicit donor stipulations;

5. A reconciliation of the beginning and ending balance of the Organization's endowments, in total and by net asset class, showing all of the following:
   a. Investment return, separated into investment income (interest, dividends, rents, etc.) and net appreciation or depreciation of investments
   b. Contribution income
   c. Amounts appropriated for expenditure
   d. Reclassifications
   e. Other changes in net assets.

<u>Fund-Raising Events</u>

The Executive Director shall maintain a subsidiary record that tracks each special fundraising event sponsored by the Organization. The following information shall be tracked on an event-by-event basis for purposes of possible disclosure in the Organization's annual Form 990 information return with the IRS:

1. Description and location of the event (including an indication of whether any type of gaming activities took place in connection with the event)

2. Total gross proceeds received in connection with the event

3. Portion of the proceeds considered to be a contribution (equal to the amount received less the fair value of any benefits provided to donors)

4. Total costs of the event

5. Portion of the costs attributable to direct donor benefits (i.e. the cost of any benefits provided to donors, such as the cost of a meal provided to attendees at a fundraiser)

6. Portion of the total costs associated with:

   a. Rent or facility costs
   b. Cash prizes, if any
   c. Non-cash prizes, if any
   d. Fees paid to (or retained by) an outside fundraiser

7. The percentage of the overall labor effort involved in the event that was contributed by volunteers (this schedule should show total hours associated with paid employees/contractors and total hours associated with volunteer efforts)

8. The names and addresses of any outside fundraiser used in connection with the event

9. An indication of whether any outside fundraiser ever took custody, even temporarily, of funds raised for KSURSF in connection with any fundraising event.

In addition to the preceding information, if any fundraising activities of KSURSF include gaming (e.g. bingo, pull tabs, or any other type of gaming), the Organization shall maintain records of the following:

1. Total compensated and total uncompensated (volunteer) labor hours associated with each event

2. The name and address of the person or company responsible for running the Organization's gaming activities, as well as a copy of their license to conduct gaming activities

3. If the Organization utilizes a third party to operate gaming activities, a record shall be kept of the total proceeds of the gaming activity and the amount retained by the third party operator as its compensation.

If the Organization engages in, or plans to engage in, gaming activities, a KSURSF loaned staff member shall first research and obtain any and all required licenses or permits.

In addition, for any fundraising or gaming activity operated by a third party, where the third party collects or maintains custody of funds paid by attendees, the Organization shall first gain an understanding of the internal controls of the third party, including the third party's processes for receiving and securing funds and whether individuals employed by the third party are bonded. The Account Manager III - KSURSF shall conduct or arrange for this internal control evaluation.

State Registrations

It is the policy of KSURSF to register in each state in which the organization's fundraising activities would result in a requirement to register. Determination of state-by-state registration requirements shall be with the Executive Director of Sponsored Programs who may consult outside advisors in making such determinations.

Once registered, the Executive Director shall ensure that subsequent periodic filing requirements are met. The Executive Director may delegate the preparation of such periodic state filings to the Account Manager III – KSURSF subject to the review and approval of the Executive Director.

ADMINISTRATION OF FEDERAL AWARDS

Definitions

KSURSF may receive financial assistance from a donor/grantor agency through the following types of agreements:

Grant: A financial assistance award given to the Organization to carry out its programmatic purpose.

Contract: A mutually binding legal agreement where the Organization agrees to provide supplies or services and the funder agrees to pay for them.

Cooperative Agreement: A legal agreement where the Organization implements a program with the direct involvement of the funder.

Throughout this manual, Federal assistance received in any of these forms will be referred to as a Federal "award."

Preparation and Review of Proposals

The preparation and review of grant proposals is managed by KSU's Office of Research. KSURSF is not involved in this.

Post-Award Procedures

KSURSF is the applicant institution for all proposals for external funding, and awarded projects are subcontracted to KSU under a master agreement between KSURSF and the University. When an award is made to KSURSF, staff assign a KSURSF account number to the award. A subaward for all direct costs is issued to Kennesaw State University, which invoices KSURSF regularly (monthly or quarterly) for its expenditures, including indirect costs. KSURSF draws down funds from the Federal agency (or invoices, depending on the agency) equal to all direct and indirect costs incurred under the award. Upon receipt of federal funds, KSURSF cuts a check to KSU in the next monthly KSU check run.

After an award has been made, the following steps shall be taken:

1. Verify the specifications of the grant or contract. The Accounting Department shall review the terms, time periods, award amounts and expected expenditures associated with the award. A Catalog of Federal Domestic Assistance (CFDA) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.

2. Create new general ledger account numbers (or segments). New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.

3. A subaward is issued to KSU for all direct costs. All terms and conditions of the federal award are flowed through from KSURSF to KSU.

4. Gather documentation. One or more files is established for each grant or contract. The files contain the proposal, budget, pertinent correspondence regarding the proposal, grant or contract, the final signed award document and reports submitted to the funding sources, as applicable (some are housed on federal websites). Some of this documentation is electronic and maintained by KSU.

5. Upon receipt of invoices/ledgers from Kennesaw State University, KSURSF shall prepare the applicable documents to invoice the federal agency or draw down funds from the US Treasury using the applicable payment system (e.g. NSF Awards Cash Management $ervice (ACM$), Payment Management System G5), no later than the report due date communicated by the federal agency in the award documentation. Invoices/drawdowns shall be accompanied by financial reports as stipulated in award documents. All persons responsible for submitting financial reports and drawing down funds shall undergo applicable training according to the requirements of the granting agency. The Director of Grants Accounting will monitor the staff charged with draw down of funds to ensure training is completed.

Compliance with Laws, Regulations and Provisions of Awards

Federal funds are passed through to KSU for management by the Office of Research and the Office of Fiscal Services, which assure compliance with all laws, regulations, and provisions of awards. Staff loaned to KSURSF are all Office of Research and Office of Fiscal Services employees, but Office of Fiscal Services staff not loaned to KSURSF manage the KSU grant accounts. Hence, separate Office of Fiscal Services staff manage the KSU and KSURSF grant accounts.

Document Administration

For each grant/award received by KSURSF, a master file of financial documents applicable to the award shall be prepared and maintained. The responsibility for assembling each master file shall be assigned to a KSURSF Accountant. The master file may be electronic or hard copy, or a combination of the two.

Proposal documentation is maintained by the KSU Office of Research and the Office of Fiscal Services in an electronic folder with all proposal and award documentation, correspondence, and reports. These files are accessible to all Office of Research and Grants and Contracts Accounting staff on a shared drive. Limited hard copy documentation may also be kept.

Close Out of Federal Awards

KSURSF shall follow the close out procedures described in OMB Circular A-110 and 2 CFR 200 and in the grant agreements as specified by the granting agency.

KSURSF and all subrecipients shall liquidate all obligations incurred under the grant or contract within the timeframe specified in OMB Circular A-110 and 2 CFR 200 and in the grant agreements as specified by the granting agency.

COST SHARING AND MATCHING (IN-KIND) – GOVERNMENT GRANTS

Overview

KSU's Office of Research manages cost sharing and matching for government grants.

BILLING/INVOICING POLICIES

Overview

The Organization's primary sources of revenue are:

- Reimbursement grants – no less than quarterly, or as funders require, based on allowed, incurred expenses
- Fee-for-service income – billed according to contract requirements based on number of units or services provided

Other lesser sources of income will be collected and recorded when the services are provided.

Responsibilities for Billing and Collection

KSURSF's Accounting Department is responsible for the invoicing of funding sources and the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections.)

Sponsor Invoicing

KSURSF will invoice the sponsor per the terms and conditions of each individual agreement.

See the section on "Accounts Receivable Management" for policies regarding follow-up on uncollected receivables.

Billing and Financial Reporting – Federal Government Grants

KSURSF strives to provide management, staff and funding sources with timely and accurate financial reports applicable to Federal awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

KSURSF shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document.

The following policies shall apply to the preparation and submission of billings to Federal agencies under awards made to KSURSF:

1. The Organization will request reimbursement after expenditures have been incurred, unless an award specifies another method.

2. KSURSF will strive to minimize the time between receipt and disbursement of grant funds by issuing payments to KSU in the following check run after receipt of such funds.

3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a

timely basis along with any other reporting that is required in addition to the financial reports.

4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.

5. All financial reports required by each Federal award will be prepared and filed on a timely basis. To the extent KSURSF's year-end audit results in adjustments to amounts previously reported to Federal agencies, revised reports shall be prepared and filed in accordance with the terms of each Federal award.

KSURSF shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of KSURSF.

Cash Drawdowns under Letters of Credit (Federal Government Grants)

KSURSF will draw down federal funds on a cost reimbursement basis after costs have been incurred and will reimburse KSU for its costs once funds have been received.

Accounts Receivable Entry Policies

Individuals independent of the cash receipts function shall post customer invoices, credit adjustments, and other adjustments to the accounts receivable subsidiary ledger.

Posting of credit memos and other adjustments to customer accounts receivable shall also be performed by an individual independent of the cash receipts function of KSURSF.

Classification of Income and Net Assets

All income received by KSURSF is classified as "without restriction," with the exception of the following:

1. Grants and other awards received from government agencies, other grantors, and donors which are classified as with restriction. Conditional contributions, sponsorship revenue which are classified as with restriction.

2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.

3. Income earned from endowment funds (e.g. interest and dividends, gains and losses) in connection with endowments where the donor has explicitly stated that earnings on an endowment be temporarily restricted for specific purposes.

From time to time, KSURSF may raise other forms of contribution income which carry stipulations that the Organization utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, KSURSF shall classify this income as with restriction income.

As with all with restriction net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), KSURSF will reclassify the related net assets from "with restriction" to "without restriction" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

CASH RECEIPTS

Overview

Cash (including checks payable to the Organization) is the most liquid asset an organization has. Therefore, it is the objective of KSURSF to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

The following procedures will be followed for funds received by mail:

- Cash receipts are received in a central location, rather than at remote sites, to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.
- Mail is opened and a listing of cash/checks received shall be prepared in an open area, in the presence of other employees.
- The individual preparing the daily list of receipts shall be someone that is not involved in the accounts receivable or accounts payable process.
- A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies.
- Deposits are prepared and taken/sent electronically to the bank by an individual other than the employee who prepared the daily cash receipts listing.

Endorsement of Checks

All checks received that are payable to the Organization shall immediately be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. KSURSF
3. The bank name
4. The bank account number of KSURSF

Timeliness of Bank Deposits

Bank deposits will not be made any less frequently than weekly, unless KSURSF is closed because of a University Holiday Break, or due to hazardous weather. In general, bank deposits will be sent to the bank electronically on a daily basis.

Reconciliation of Deposits

On a periodic basis, a Senior Accountant in the Office of Fiscal Services, who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listings of receipts to bank deposits on the monthly bank statement. Any discrepancies shall be immediately investigated.

Processing of Credit Cards

KSURSF does not process credit cards.

On-Site Collections at Conferences and Seminars

The Project Director is responsible for on-site payments for Conferences and Seminars since the Project Director is the one managing the conference. The Project Director will submit the cash to KSURSF for deposit.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a regular basis, no less often than quarterly, the Accounting Department will reconcile a detailed accounts receivable report (showing aged, outstanding invoices by customer) to the general ledger. The KSURSF Account Manager will review the accounts receivable aging report in detail at quarter end (09/30, 12/31, 3/31, 06/30). Any customers with invoices with an aging date greater than 90 days will be contacted.

Collections

KSURSF accounting staff will follow up on an as needed basis for discrepancies discovered during monthly reconciliation which is referenced above.

Monitoring and Recognition – Federal Government Grants

KSURSF records grants receivable and income as follows:

1. Upon receipt of the grant, each grant receives a specific project ID. Most government grants are cost reimbursable and KSURSF will invoice the government entity for expenses already incurred.

2. If KSURSF happens to receive funds upfront for a government grant, then deferred revenue is credited (liability) and cash is debited (asset).

3. KSURSF will recognize revenue per the terms of the specific contract, e.g. as expenses are incurred, equally over a specific period, etc.

Management will be able to monitor the progress of the entire grant at any time during the year.

Credits and Other Adjustments to Accounts Receivable

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include returned products and adjustments for billing errors. An employee who is independent of the cash receipts function will process credits and adjustments to Accounts Receivable, and all credits shall be authorized by the Executive Director.

Bad debt write-offs are not allowable costs for Federal grants.

Accounts Receivable Write-Off Authorization Procedures

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the Accounting Department. If an account receivable is deemed uncollectible, the following approvals are required before the write-off is processed:

Amount	**Authorized in writing by**
Less than $2,000	Director, Grants & Contracts Accounting
$2,000 - $5,000	Executive Director
$5,000 - $10,000	Chief Operating Officer
Greater than $10,000	KSURSF Board

Once a write-off has been processed, appropriate individuals in the originating department will be advised so that further credit is not granted and to update the master list of bad accounts. Customers listed as poor credit risks will be extended future credit only if the back debt is paid and the customer is no longer deemed a collection problem.

If write-off procedures have been initiated, the following accounting treatment applies:

1. Current year invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account, or against the original account credited.
2. Invoices written off that are dated prior to the current year will be written off against net assets.

Reserve for Uncollectible Accounts

It is the policy of KSURSF to maintain a reserve for uncollectible accounts receivable. At the end of each fiscal year, the allowance for doubtful accounts is adjusted based on the following factors:

1. An analysis of outstanding, aged accounts receivable
2. Historical collection and bad debt experience
3. Evaluations of specific accounts based on discussions with the department that originated the sale resulting in the receivable

Year-end adjustments to the reserve for uncollectible accounts shall be performed in consultation with the Executive Director.

This reserve account is used in the following year to write off those items that are deemed uncollectible from the prior year after further collection efforts have been abandoned, as described earlier.

SEGREGATION OF DUTIES

Control Grid - Revenue and Cash Receipts

KSURSF strives to maintain adequate segregation of duties in its income and cash receipts functions. The following table illustrates how responsibilities have been assigned. In this table, personnel are identified as follows:

A. KSURSF Account Manager III

B. KSURSF Accountant II

C. Accounts Assistant

D. Director Grants and Contracts Accounting

E. Fiscal Services Accountant

Duty	A	B	C	D
Prepare sponsor invoice/financial report		X		
Enter invoice/financial report into A/R system			X	
Compare A/R records with invoices/financial reports/drawdown documents to ensure accuracy of information	X			
Draw down funds from the US Treasury (federal awards) using the appropriate payment system, e.g. ACM$ (National Science Foundation), Payment Management System (Department of Health and Human Services, Department of State), G5 (Department of Education)		X		
Verify monthly that all invoices and financial reports have been submitted, and that drawdowns have been completed				X
Initial receipt of funds (cash or checks)		X		
Restrictively endorse checks			X	
Prepares initial record of funds collected		X		
Preparation of deposit slip		X		
Take deposit slip to bank			X	
Enter payments into A/R system			X	
Reconcile log of collections w/ A/R posting	X			
Authorizes credits or other adjustments				X
Posts credits/adjustments to A/R system	X			
Authorizes write-off of bad debts				X
Posts bad debt write-offs to A/R system	X			
Prepares periodic customer statements			X	
Reconciles A/R with general ledger		X		
Reconciles bank statement				X
Reviews A/R aging	X			
Performs follow-up calls on old A/R			X	

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

KSURSF requires the practice of ethical, responsible, and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

The goal of these procurement policies is to ensure that materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders.

Responsibility for Purchasing

All project directors and/or their designees shall have the authority to initiate purchases within the guidelines described here. KSURSF requires two handwritten signatures (no signature stamps) in order to process a payment/reimbursement request. The project director is responsible for ensuring that the appropriate signatures are obtained. If someone other than the project director initiates a payment/reimbursement request then the project director must be the required second signature. If the project director initiates a payment/reimbursement request then the project director's immediate supervisor must be the required second signature.

The Accounting Department shall be responsible for processing payments, reimbursements, contracts, and other related forms of commitment. The Chief Operating Officer has approval authority over all purchases and contractual commitments, and shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

Code of Conduct in Purchasing

Ethical conduct in managing the Organization's purchasing activities is absolutely essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the general membership.

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent shall participate in the selection or administration of a vendor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.

- Officers, board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.
- Unsolicited gifts of a nominal value (<u>$25 or less</u>) may be accepted with the approval of the <u>Executive Director</u>.

<u>Employee Meals</u>

KSURSF funds may be used for payment to vendors or individuals for expenses related to meals incurred while conducting official University business. All such expenditures paid from KSURF must be in accordance with the governing fund agreement (grant, contract or program intent) for that project account. The following information must be documented:

- Which KSURSF account is to be used?
- Where and when did the event occur?
- What was the business-related purpose of the event?
- How did the event benefit the University?
- Who was in attendance and what is their relationship to KSU? (student, faculty/staff, board member, trustee, corporate partner, vendor)
- What role did those in attendance have in the success of the event?

In most cases, all arrangements for meals or catering should be made using reasonably acceptable practices in accordance with the State of Georgia's per-diem guidelines. **All on-campus catered events must adhere to the Kennesaw State University Catering Policy. All requests for reimbursements using outside vendors must include an approved exemption form.** All attendees should be directly involved in the business purpose related to the meal and should not include spouses (unless their attendance has a bona fide business purpose that directly benefits the University).

As a general guideline associated with hosting meals, the cost of the meal can be determined by the type of event you are hosting and the business purpose related to the meal. Exceeding the allowable guideline amounts may be deemed permissible so long as it is appropriately documented and appropriate for the type of event held. The following are instances where meals and entertainment expenses are allowable:

1. **Meal expenses involving external University individuals** are authorized for conducting general University related business and cultivation of significant relationships to the University. The cost of these meals (including beverages) should be limited to no more than $15/person for breakfast, $25/person for lunch and $50.00/person for dinner (excluding gratuities). **As a rule, no more than three (3) employees per official guest should be in attendance**.

2. **Meal expenses involving larger groups of individuals, including both external and internal to the University**, are authorized for the purpose of conducting or attending seminars, conferences, or business meetings whose purpose is aligned with promoting and furthering the University's agenda, mission, and strategic plan. Lunchtime or other types of large group seminars and discussions, in which a featured guest is present,

may include purchasing the meal for the featured guest. These meals should be limited to no more than $30 per person (excluding gratuities).

3. **Meal expenses related to meetings for University employees scheduled for conducting business related to University matters (trainings, problem solving, innovation, and department meetings)** are authorized, but restricted to those considered necessary for conducting business. The cost for these types of meals should be limited to no more than $15.00 - 20.00/person (excluding gratuities).

4. **Individual employee meal expenses must be reimbursed through the University** and are only allowable for official University business travel; they are subject to University System of Georgia guidelines for travel. Employee travel expenses such as transportation, mileage, lodging and meal per-diems must adhere to KSU and USG travel policies and procedures and be processed through the University's travel department for reimbursement. Please refer to the Kennesaw State University Travel Policy for information about reimbursable travel expenses. Travel cash advances are not allowed by KSURSF.

All requests for reimbursement must be accompanied by a receipt for the meal including the date, amount, and place of the meal, and the names and affiliation of the attendees, although descriptions may be generalized for groups larger than twelve participants.

Alcohol

Sponsored Agreement Funding: Where a sponsored agreement expressly authorizes the purchase of alcohol for an event, KSURSF will pay for the cost (either directly or through reimbursement) in accordance with the terms of the agreement and the policies enumerated in this section.

KSURSF Funding: Where the purchase of alcohol is not for a function funded and authorized by a sponsor as described above, the expenditure is subject to the approval of two KSURSF Board Officers. Examples include receptions to acknowledge and honor researchers, functions at University museums, and receptions for visitors. This list is not exhaustive.
Any allowable alcohol purchase should be justifiable and kept to a reasonable amount. Any alcohol related purchase viewed as excessive in cost may be denied by KSURSF at the discretion of the Chief Executive Officer, Chairperson, or Chief Operating Officer.

Other Non-KSU Allowed Expenditures

For all other expenditures that are not allowed per KSU policy, but which have valid business reasons and are consistent with KSURSF's mission, approval will be on a per case basis by the KSURSF Chief Executive Officer and KSURSF Treasurer. Such examples include first class travel for official visitors and discretionary spending other than elucidated above (e.g. flowers, gifts, receptions, office parties); this list is not exhaustive.

Competition (Federal Government Grants)

For Federal awards, KSURSF defers to KSU's procurement policies and procedures. http://www.kennesaw.edu/procurement/

Non-Discrimination Policy

All vendors/contractors who are the recipients of Organization funds, or who propose to perform any work or furnish any goods under agreements with KSURSF, shall agree to these important principles:

1. Vendors/contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the vendors/contractors.

2. Vendors/contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisement and solicitations placed in accordance with Federal law, rule, or regulation shall be deemed sufficient for meeting the intent of this section.

Procurement Procedures (Federal Government Grants)

For government grants, KSURSF defers to KSU's procurement policies and procedures. http://www.kennesaw.edu/procurement/

Purchase of Services

For services, up to and including $5,000, a detailed invoice from the payee, including a scope of work, is required. The invoice should be attached to the payment request form, which will be signed by an internal requestor and approved by the PI. For services greater than $5,000, a consulting agreement must be signed by the consultant and the KSURSF COO or delegated signatory. There must also be an invoice and approved payment request form attached to the agreement.

Purchase of Goods

For purchases up to and including $5,000, no prior review by KSURSF is necessary. For purchases greater than $5,000, KSURSF must do a pre-purchase review. Please refer to the following table for details:

Amount of Purchase	KSURSF Review	Required Approvals	Required Documentation
$0 - $5,000	Accountants – post purchase review	Project Director	Detailed invoice
>$5,000 - $25,000	Executive Director – pre purchase review	Project Director	Explanation of purpose and reason for selection of vendor/item
$25,000 - $99,999.99	Executive Director – pre purchase review	Project Director	3 quotes or sole source explanation
> $100,000	Executive Director – pre purchase review	Project Director and COO or other Board Officer	3 quotes or sole source explanation

Payment request forms must be signed by the preparer and approved by the PI and included with all invoices.

The Chief Operating Officer is authorized to enter into any contract on behalf of KSURSF.

Required Solicitation of Quotations from Vendors (Federal Government Grants)

As stated above, Government Grants are subawarded to Kennesaw State University. Therefore, KSURSF follows KSU's procurement policies and procedures in regard to Government Grants. http://www.kennesaw.edu/procurement/

Special Purchasing Conditions

Emergencies:
Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and protection of Organization property is involved.

Single Distributor/Source:
Sole source purchases will be made only when solicitation of multiple vendors is not feasible and one of the following conditions applies:

- The item or service is only available from one source,
- The situation is a public emergency,
- The awarding agency approves the purchase, or
- Competition is deemed inadequate (insufficient bidders)

A cost/price analysis is required and approval from the funding agency may be necessary if the purchase is over the small purchase threshold.

Right to Audit Clause

KSURSF requires a “Right to Audit” clause in all contracts between the Organizations and vendors that either:

1. Take any form of temporary possession of assets (including payments) directed for the Organization, or

2. Process data that will be used in any financial function of the Organization.

This Right to Audit clause shall permit access to and review of all documentation and processes relating to the vendor’s operations that apply to KSURSF, as well as all documents maintained or processed on behalf of KSURSF, for a period of three years. The clause shall state that such audit procedures may be performed by KSURSF employees or any outside auditor or contractor designated by the Organization.

Vendor Files and Required Documentation

The Accounting Department shall create a vendor folder for each new vendor from whom KSURSF purchases goods or services.

The Accounting Department shall send by mail or fax a blank Supplier Registration Form to new vendors and request that the vendor complete and sign the Supplier Registration Form (or provide equivalent, substitute information) and return it by regular mail or email. Completed, signed Supplier Registration Form or substitute documentation shall be filed in each vendor’s folder. Vendors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on “Government Returns.” See the section on “Payroll and Related Policies” for guidance on determining whether a vendor should be treated as an employee.

Receipt and Acceptance of Goods

A designated individual shall inspect all goods received. Upon receipt of any item from a vendor, the following actions shall immediately be taken:

1. Review bill of lading for correct delivery point
2. Verify the quantity of boxes/containers with the bill of lading
3. Examine boxes/containers for exterior damage and note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.)
4. Sign and date the bill of lading
5. Remove the packing slip from each box/container
6. Compare the description and quantity of goods per the purchase order to the packing slip
7. Examine goods for physical damage
8. Count or weigh items, if appropriate, and record the counts on the purchase order

This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with vendors.

POLITICAL INTERVENTION

Prohibited Expenditures

Consistent with its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, KSURSF shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the Federal, state or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees

2. Contributions to the campaigns of individual candidates for public office

3. Contributions to political parties

4. Expenditures to produce printed materials (including materials in periodicals) that support or oppose candidates for public office

5. Expenditures for the placement of political advertisements in periodicals

Endorsements of Candidates

KSURSF will not endorse any candidates for public office in any manner, or otherwise make statements that support or oppose a candidate or a political party, either verbally or in writing. This policy extends to the actions of management, the board of directors, volunteers, and other representatives or agents of KSURSF, when these individuals are acting on behalf of, or are otherwise representing, the Organization.

Individual vs. Organizational Intervention

The preceding policies prohibiting acts of political intervention apply to the organization and to individuals acting on behalf of the organization. It does not apply to the personal lives of employees and volunteers of the organization, who have the right to support or oppose political candidates and parties as individuals. Employees and volunteers of KSURSF who engage in political activities outside the scope of their employment with or service to the Organization shall at all times be mindful of maintaining a clear distinction between personal activities and those which can be attributed to the Organizational.

Prohibited Use of Organization Assets and Resources

No assets or human resources of the Organization shall be utilized for political activities, as defined above. This prohibition extends to the use of Organization assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of KSURSF. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing the Organization), these individuals must at all times be aware that Organization resources cannot at any time be utilized in support of political activities.

LOBBYING

Introduction

Unlike political intervention, described in the preceding section, expenditures by a section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, **no** lobbying expenditures may be charged directly or indirectly to any Federal award (i.e., the charity must have a non-Federal source of income to which such lobbying costs can be cited as the source of the activity).

Definition of Lobbying Activities

Lobbying activities conducted by the Organization may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (Federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the Organization or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the Organization is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the Organization supports or opposes), and

2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

Segregation of Lobbying Expenditures

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of the Organization’s overall activities. The Organization’s tax exemption would be at risk if lobbying becomes a substantial portion of the Organization’s activities.

Accordingly, KSURSF segregates all direct and indirect lobbying expenditures in a separate section of the chart of accounts in the general ledger. Where appropriate, lobbying expenditures shall also be allocated their fair and reasonable share of employee benefits and other indirect costs in accordance with cost allocation policies described elsewhere in this manual.

Lobbying Election

As a public charity, the Organization has two options with respect to the Internal Revenue Code's restriction against lobbying being a "substantial" portion of its activities. One option is to make a formal lobbying election, which results in the Organization following a specific mathematical formula to determine its lobbying limitations. Exceeding the limitation would result in an excise tax assessed to the Organization. Exceeding the limitation by 50-percent or more over a four-year period would result in loss of the Organization's overall tax exemption. The other option is to not make the election, resulting in an entirely judgmental assessment of its lobbying activities by the IRS. If it is deemed by the IRS to have engaged in substantial lobbying for any period, the Organization would lose its overall tax exemption under this option.

If KSURSF incurs lobbying expense, it will make the Internal Revenue Code section 501(h) lobbying election by filing Form 5768, and leave that election in place. As a result, the Organization shall report its lobbying expenditures by completing the section for "Electing Charities" on Schedule A that accompanies its annual Form 990 information return filed with IRS.

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

KSURSF charges costs that are reasonable, allowable, and allocable to a Federal award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

KSURSF passes all Federal funding through to Kennesaw State University; please refer to the Office of Research post-award policies and procedures manual. http://research.kennesaw.edu/policies-procedures.php.

Segregating Unallowable from Allowable Costs

KSURSF ensures that the following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each Federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.

2. Accounting personnel shall be familiar with the allowability of costs provisions of 2 CFR 200, as well as the Federal agency and provisions specific to an individual program.

3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR 200.

4. For each Federal award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.

5. All items of miscellaneous income or credits, including the subsequent write-offs of un-cashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).

Criteria for Allowability

All costs must meet the following criteria from 2 CFR 200 in order to be treated as allowable direct or indirect costs under a Federal award:

§200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

§200.404 Reasonable costs.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.

(b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.

(c) Market prices for comparable goods or services for the geographic area.

(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

§200.405 Allocable costs.

(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

(1) Is incurred specifically for the Federal award;

(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

(b) All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §200.310 Insurance coverage through §200.316 Property trust relationship and §200.439 Equipment and other capital expenditures.

(e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or non-Federal function. KSURSF identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate project director and reviewed and approved by the Office of Research.

Time sheets or Time and Effort reports are also submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets or Time and Effort reports shall serve as justification for charging salaries directly to Federal awards in accordance with 2 CFR 200. See the following link: http://research.kennesaw.edu/awards-cycle/award-project-management.php#g.

Equipment purchased for exclusive use on a Federal award and reimbursed by a Federal agency shall be accounted for as a direct cost of that award.

NSF Participant Support Costs

KSURSF passes all Federal funding through to Kennesaw State University, which has a specific policy on charging participant support costs to federal grants in general, and National Science Foundation grants in particular. 2 CFR 200.75 defines participant support costs as "direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects." Participant support costs are discussed in the NSF Grant Proposal Guide section II.C.2.g.(v):

> This budget category refers to costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with NSF-sponsored conferences or training projects. Any additional categories of participant support costs other than those described in 2 CFR § 200.75 (such as incentives, gifts, souvenirs, t-shirts and memorabilia), must be justified in the budget justification, and such costs will be closely scrutinized by NSF. (See GPG Chapter II.D.9). For some educational projects conducted at local school districts, however, the participants being trained are employees. In such cases, the costs must be classified as participant support if payment is made through a stipend or training allowance method. The school district must have an accounting mechanism in place (i.e., sub-account code) to differentiate between regular salary and stipend payments.
>
> The number of participants to be supported must be entered in the parentheses on the proposal budget. These costs also must be justified in the budget justification section of the proposal. Indirect costs (F&A) are not allowed on participant support costs. Participant support costs must be accounted for separately should an award be made.

Funds provided for participant support may not be used for other categories of expense without specific prior NSF written approval. Such requests must be submitted electronically via use of NSF's electronic systems.

KSURSF ensures that participant support costs are charged to projects according to the approved budget and are segregated by the type of participant support cost (stipend, travel, subsistence, and other); that funds approved for participant support costs are used solely for that purpose; and that participant support costs are excluded from the indirect cost base as applicable (e.g. NSF does not allow indirect cost recovery on participant support costs).

Please see KSU's Office of Research Sponsored Awards Handbook (http://research.kennesaw.edu/policies-procedures.php) for budgeting information and KSU's Participant Support Costs Business Process, below.

Process:
All expenses are reviewed by the KSU Office of Fiscal Services-Grants and Contracts Accounting Department for allowability as a participant support cost prior to expense posting to ledger. Participant support costs are charged to separate account codes in the general ledger that correspond to National Science Foundation participant support cost budget categories:

NSF Budget Category	KSU PeopleSoft Account
Participant Support Stipends	783200
Participant Support Travel	651400
Participant Support Subsistence	751111
Participant Support Other	751112

If necessary, Office of Fiscal Services staff will make corrections to the account codes before the business office posts them to ledger. Charges to 751112 (other) must be justified in the budget justification. Costs for incentives, gifts, souvenirs, t-shirts, and memorabilia receive close scrutiny from NSF.

Indirect Costs

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program. Indirect costs may be allocated to benefiting grants through the use of an indirect cost rate.

Please reference KSU's policy on Indirect Costs: http://research.kennesaw.edu/awards-cycle/award-project-management.php#d

Indirect Cost Rate

KSURSF does not have its own indirect cost rate. Awards are passed through to the University and KSU's rate is used (Indirect cost rates are updated and posted on the Office of Research web-site https://research.kennesaw.edu/about/institutional-information.php.

Periodically (e.g. every three to four years) KSU prepares an indirect cost rate proposal according to 2 CFR 200 and submits it to its Cognizant Agency for approval. The indirect cost rate approved is used when determining the indirect cost rate applied to each Federal award.

Accounting for Specific Elements of Cost

Please reference KSU's Post Award Accounting Policies and Procedures in regard to the method that shall be utilized for charging specific elements of cost to Federal awards as direct or indirect costs.

http://research.kennesaw.edu/awards-cycle/award-project-management.php#b

Credits – The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, and write-off of stale outstanding checks, trade-ins, scrap sales or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

ACCOUNTS PAYABLE MANAGEMENT

Overview

KSURSF strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the vendor invoice for the related goods or services.
- The vendor invoice be reviewed and approved by a **Project Directors (or the Project Director's Supervisor)** prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized

2. Invoices are processed in a timely manner

3. Vendor credit terms and operating cash are managed for maximum benefits

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed on a **weekly** basis. Information is entered into the system from approved invoices with appropriate documentation attached.

Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

Accounts Payable Cut-Off

For purposes of the preparation of the Organization's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the **25th of each month** shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

Preparation of an Invoice for Payment

Prior to any accounts payable being submitted for payment, a package called a "voucher package" shall be assembled. Each voucher package shall contain the following documents:

1. Vendor invoice (or employee expense report)
2. Packing slip (where appropriate)
3. Purchase order as required by procurement policies
4. Request for Payment Form that has the Project Director's Approval
5. Any other supporting documentation deemed appropriate

Processing an Invoice for Payment

The following procedures shall be applied to each voucher package by the Accounting Assistant:

1. Check the mathematical accuracy of the vendor invoice.

2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to any relevant backup documentation (e.g. Purchase Order, Packing Slip).

3. Document the general ledger distribution using the Organization's current chart of accounts.

4. An Accounting Assistant will seek initialed approval from the KSURSF Accounting Manager and the Director of Grants and Contracts Accounting.

Approvals by Project Directors indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual.

Payment Discounts

To the extent practical, KSURSF takes advantage of all prompt payment discounts offered by vendors. When such discounts are available, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

Loaned Staff Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed **KSURSF Payment/Reimbursement Form** (see further policies under "Travel and Business Entertainment"). All required receipts must be attached, and a detailed description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for within **10 business days, if received with the proper approvals and supporting documentation**.

Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly accounting period, the total amount due to vendors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated and adjustments are made as necessary. The reconciliation is done by the KSURSF Accounting Manager and the results of the investigation of differences are reviewed and approved by the Director of Grants and Contracts Accounting.

Also on a monthly basis, the Accounting Assistant shall perform the following procedures:

1. Check all statements received for unprocessed invoices.

2. Check the purchase order file for open purchase orders more than 60 days old and follow up.

Management of Accounts Payable Vendor Master File

Upon the receipt of an invoice from a new vendor that is not already in KSURSF's Accounts Payable Vendor Master File, a Grants and Contracts Accountant shall mail (or fax) a Supplier (Vendor) Registration Form and a request for completion of the Supplier (Vendor) Registration Form, including the vendor's full address and Federal employer identification number.

For vendors that expected to be paid a total of $600 or less during the Organization's fiscal year, the vendor file data may be limited to the vendor name and address. However, for all vendors to be paid more than $600 or the applicable IRS limit during a fiscal year, the file shall include the following data:

1. Vendor's legal name and any DBA name(s)
2. Street address (payments may be mailed to a P.O. Box, but a street address must be in the file)
3. Federal employer identification number

Payments shall not be made to any vendor whose file does not comply with the preceding requirements.

On an annual basis, vendors that have not been utilized over the preceding 24-month period shall be purged (or made inactive) from the master vendor file. In addition, on an annual basis an internal audit shall be performed of the master vendor file and of payment histories made to each vendor. This analysis, to be performed by the Accounting Manager shall consist of the following procedures, at a minimum:

1. Cross-checking of vendors with matching street or P.O. Box addresses

2. Review of payment histories for signs of repeat invoice numbers or other indications of duplicate payments

Any unexplained deviations or irregularities noted in connection with the preceding internal audit procedures shall be reported to the Director II.

OFAC Database Searches

It is the policy of KSURSF to perform a search of the Office of Foreign Assets Control (OFAC) for any non-U.S.-based vendor or payee upon setting that payee up in the accounts payable system, and periodically on at least an annual basis thereafter. The results shall be presented to management for review, approval, and proper disposition, depending on the outcome of the search.

Verification of New Vendors

For Vendors that shall be paid one-time or cumulative payments in excess of $50,000, KSURSF shall perform a limited public records search and shall contact the vendor to validate the vendor's existence.

Each new vendor must submit a signed Supplier (Vendor) Registration Form or W9 or W8BEN. For entities other than individuals and sole proprietorships, a search is made through the Secretary of State's website in the vendor's registered state. The entity's existence and "Active/Compliance" status is verified on the website. If the vendor cannot be located or is not in "Active/Compliance" compliance, KSURSF (for management and general accounts) or the project director (for project accounts) must contact the vendor and secure additional information as needed. If the Secretary of State's website search reports corporate status of "Not Good Standing", "Inactive", "Dissolution/Dissolved", or "Active/Non-compliance", the KSURSF/ project director contacts the vendor and instructs them to contact the Secretary of State's Office to update/verify the status. The vendor is not entered into the database until the correct status has been verified. If only the company's existence can be verified on another state's website, then the company's website is searched and the address on the website is verified. The vendor may also be contacted and requested to verify their address and any additional information needed. Once the information is verified, the information will be entered into the vendor database.

TRAVEL

Employee and Director Business Travel

All KSU employees must submit travel requests and expense reports through Concur or other official travel mechanisms of the University as a requirement for approval and reimbursement for travel. KSURSF cannot reimburse travel-related expenses directly to KSU employees (or University System of Georgia employees) who have not made travel requests through the University's travel procedures. KSURSF can directly reimburse reasonable travel costs (see **Reasonableness of Travel Costs below)** for non-USG employees

Travel Advances

KSURSF does not provide travel advances.

Federal Government Grants

Federal funding is passed through to KSU; therefore, KSU travel policies apply for federally-funded travel (http://fiscalservices.kennesaw.edu/travel/).

Reasonableness of Travel Costs

KSURSF shall reimburse travel for non-KSU employees for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Suites and other upgraded rooms at hotels shall not be allowed without prior approval and justification. Travelers should normally stay in standard rooms.
2. Ask hotels for any available discounts – nonprofit, government or corporate rates.
3. When utilizing rental cars, travelers should rent midsize or smaller vehicles. Share rental cars whenever possible.
4. For international travel, the traveler should discuss reimbursement for business and personal communication prior to travelling.
5. Reasonable tips for baggage handling shall be reimbursed. No receipts are required.
6. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
   a. Require circuitous routing
   b. Require travel during unreasonable hours
   c. Excessively prolong travel
   d. Result in additional costs that would offset the transportation savings, or
   e. Offer accommodations not reasonably adequate for the traveler's medical needs.
7. First class air travel shall not be reimbursed without prior approval and justification.
8. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay-over, travelers should provide a total cost comparison (showing that the lower airfare plus extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stay-over).
9. Cost of upgrade certificates is not reimbursable.

10. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate personal or business reasons (such as changed meeting dates, illness, etc.).
11. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., KSURSF will not reimburse for the personal legs of a trip).

Spouse/Partner Travel

KSURSF does not reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

BUSINESS ENTERTAINMENT

Employee and Director Business Entertainment

A Project Director, Loaned Staff, or member of the Board of Directors that has incurred business-related food/entertainment expenses should complete an expense report in accordance with the following policies:

1.) For all meals and other entertainment expenditures where an individual is reimbursed, the following must be clearly identified:
  - a.) A detailed/ itemized Receipt (Credit Card charge slips do NOT represent adequate supporting documentation);
  - b.) Names of Attendees;
  - c.) The business purpose of the meal or other business event (topics discussed, etc.)

2.) For catered meals and other entertainment expenditures where a company is invoicing KSURSF, the following must be clearly identified:
  - a.) A detailed/itemized invoice from the vendor;
  - b.) An estimated number of attendees;
  - c.) The business purpose of the meal or other business event.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

KSURSF prints vendor checks and expense reimbursement checks on a **weekly** basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all vendors shall be paid within 30 days of submitting a proper invoice. Invoices should not be aged greater than 120 days.
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer.
6. Checks shall be utilized in numerical order and unused checks are stored in the accounting department.
7. Checks shall never be made payable to “bearer” or “cash.”
8. Checks shall never be signed prior to being prepared.
9. Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

Check Signing

Checks require two signatures. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

Checks shall be signed by an individual other than the one who approved the transaction for payment.

All KSURSF checks require two signatures, one of which may be a stamped signature.

Check signers should examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

Equipment used to sign checks (plates, stamps, CD, *etc.*) will be kept in a locked and secure space. Access to the equipment shall be restricted to the Administrative Associates of the Chief Executive Officer and Chief Operating Officer. The Director of Grants and Contracts Accounting will request the equipment as needed. Grants and Contracts Accountants will review the check run and supporting documentation, and initial approval. If checks over $5,000 require a stamped signature due to the unavailability of obtaining two physical signatures, the check must be reviewed by the Executive Director prior to being stamped.

Use of Positive Pay System

Currently KSURSF utilizes a “Positive Pay” system with its financial institution for all checks and Automated Clearing House (ACH) financial transactions drawn on the operating account. The account is monitored daily by KSURSF Accounting staff.

Mailing of Checks

After signature, checks are returned to the individual who prepared them, who then mails checks immediately. Checks shall not be mailed by or returned to individuals who authorize expenditures.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as “VOID.” All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by accounting personnel with this authority. A journal entry is made to record the stop payment and any related bank fees.

Recordkeeping Associated with Independent Contractors

KSURSF shall obtain a completed Supplier Request Form or equivalent substitute documentation from all vendors to whom payments are made (see “Accounts Payable Management” policies). A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year end. Payments to such vendors shall be accumulated over the course of a calendar year.

SEGREGATION OF DUTIES

Control Grid – Purchasing and Disbursements

KSURSF strives to maintain adequate segregation of duties in its purchasing and disbursements functions. The following table illustrates how responsibilities have been assigned. In this table personnel are identified as follows:

A. Accounting Manager III

B. Accounting Professional II

C. Accounting Assistant

D. Project Directors or his/her direct supervisor

E. Requestors from Departments

F. Board of Directors Chairperson, Vice-Chairperson, Chief Operating Officer

G. Director II

H. Fiscal Services Accountant

Duty	A	B	C	D	E	F	G	H
Inputs data into vendor master file			X					
Obtains Form W-9 from new vendors			X					
Initiates purchases					X			
Authorizes purchases				X				
Receives vendor invoice					X			
Approves vendor invoice				X				
Assigns general ledger coding			X					
Inputs invoice into A/P system			X					
Selects A/P to be paid		X	X					
Runs A/P checks			X					
Reviews checks		X						
Signs checks						X		
Mails checks			X					
Maintains custody of unused checks	X							
Reconciles A/P to general ledger	X							
Performs bank reconciliation								X
Review cancelled checks	X							
Reviews bank reconciliations							X	

CREDIT CARDS

<u>Issuance of Corporate Credit Cards</u>

KSURSF employees and officers are not issued Corporate credit cards.

<u>Employee Credit Cards</u>

Employees and officers incurring legitimate Organization business expenses are expected to utilize their personal credit cards for such expenditures. The Organization shall reimburse employees and officers for properly supported and documented business expenditures charged to personal credit cards within <u>five</u> business days of the proper completion of an expense report. (See the earlier policies on Travel and Business Entertainment for expense report preparation procedures.)

PAYROLL AND RELATED POLICIES

KSURSF does not have employees and has no payroll. All staff are loaned from KSU.

Classification of Workers as Independent Contractors or Employees

KSURSF does not have employees. KSURSF may hire contractors to work on projects if they do not qualify as employees, in which case they would need to go through the KSU hiring process. In order to determine that a worker is eligible to be hired as a contractor and not an employee, KSURSF considers all relevant facts and circumstances regarding the relationship between the Organization and the individual. This determination is based on the degree of control and independence associated with the relationship between KSURSF and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

Facts associated with each of these categories that will be considered in making employee/contractor determinations shall include:

1. Behavioral control:

    a. Instructions given by KSURSF to the worker that indicate control over the worker (suggesting an employee relationship), such as:
        (1) When and where to work
        (2) What tools or equipment to use
        (3) What workers to hire or to assist with the work
        (4) Where to purchase supplies and services
        (5) What work must be performed by a specified individual?
        (6) What order or sequence to follow
    b. Training provided by KSURSF to the worker (i.e., employees typically are trained by their employer, whereas contractors typically provide their own training).

2. Financial control:

    a. The extent to which the worker has unreimbursed business expenses (i.e., employees are more likely to be fully reimbursed for their expenses than is a contractor).
    b. The extent of the worker's investment in the facilities/assets used in performing services for KSURSF (greater investment associated with contractors).
    c. The extent to which the worker makes services available to the relevant market.
    d. How KSURSF pays the worker (i.e., guaranteed regular wage for employees vs. flat fee paid to some contractors).
    e. The extent to which the worker can realize a profit or loss.

3. Type of Relationship:

a. Written contracts describing the relationship that KSURSF and the individual intend to create.
b. Whether KSURSF provides the worker with employee-type benefits, such as insurance, paid leave, etc.
c. The permanency of the relationship.
d. The extent to which services performed by the worker are a key aspect of the regular business of KSURSF.

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is $600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from "compensation" are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

Personnel Activity Reports (Government Grants)

Federal awards are passed through to KSU and KSU maintains all personnel activity reports. Salaries and wages charged to Federal grants will be supported in accordance with 2 CFR 200 and/or the terms and conditions of the award.

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):

The primary operating account provides for routine business check disbursements. All cash and credit card deposits are made to this account. Excess funds in this account are transferred into short-term investments, higher interest-bearing cash equivalents, or other account to protect principal.

In addition, all advances of Federal funds shall be deposited in an interest-bearing account according to federal regulations. In general, however, KSURSF does not receive advances of Federal funds.

Authorized Signers

The following KSU administrative positions are KSURSF Officers who are authorized to sign checks drawn on the general operating and payroll accounts:

President, Chairperson of the Corporation
Provost and Vice President for Academic Affairs, Chief Executive Officer
Vice President for Research, Chief Operating Officer
Chief Business Officer for KSU, Treasurer
Senior AVP for Academic Affairs for KSU, Assistant Treasurer

KSURSF will promptly notify the Organization's financial institutions of changes in authorized signatures upon the departure of any authorized signer. Refer to the section titled "Check Signing" for procedures.

Bank Reconciliations

Electronic bank reconciliations are printed out by a designated accountant in the Office of Fiscal Services and forwarded to the KSURSF Accounting for review, then reconciled by the designated accountant. The same accountant signs the bank reconciliation as the preparer, then forwards the completed reconciliation to a Grants and Contracts Accountant for second signature and filing. **Any unusual items must be reported to the Director immediately.**

The reconciliation process shall involve an inspection of the fronts and backs of cancelled checks returned with the bank statement. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual endorsements, or other signs of fraudulent activity. If the Organization's financial institution does not return original cancelled checks or paper copies thereof, the person preparing the monthly bank reconciliation shall view electronic copies of cancelled checks provided by the financial institution via CD-ROM or Internet access to the Institution's web site.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed by the Accountant II on a monthly basis.

Bank reconciliations, cancelled checks, and copies of resulting journal entries are filed in the current year's accounting files.

Cash Flow Management

The KSURSF Manager (III) monitors cash flow needs on a monthly basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

KSURSF adheres to the requirements of its grants which may prohibit loaning funds between programs, therefore, cash management and reporting is performed at the program level as well as for the Organization as a whole.

Unclaimed Property

KSURSF will follow the Georgia Board of Regents policy in regard to Unclaimed Property. KSURSF will comply with the laws of the State of Georgia regarding unclaimed property. Accordingly, if un-cashed checks are subject to a state reporting and transfer requirement, the Organization shall file all appropriate forms and remit unclaimed property to the appropriate jurisdiction. http://www.usg.edu/business_procedures_manual/section19/C1549

Petty Cash

There is no petty cash account.

Wire Transfers

Approval for wire transfers are processed in the same way as for checks. Once KSURSF authorized check signers have approved the wire transfer, the Director of Grants and Contracts Accounting approves the wire, and the KSURSF Accounting Manager completes the wire transaction.

INVENTORY OF MATERIALS

KSURSF does not have inventory.

PREPAID EXPENSES

Accounting Treatment

KSURSF treats payments of expenses that have a time-sensitive future benefit as **prepaid expenses** and will amortize these items over the corresponding time period. A **prepaid expense** is an expenditure that is paid for in one accounting period, but for which the underlying asset will not be entirely consumed until a future period. For purposes of this policy, payments of less than **[$1,000]** shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as non-current assets.

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The Accounting Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.

INVESTMENT POLICIES

Introduction

KSURSF treats all assets of the Organization, including those funds that are legally unrestricted, as though they are held in a fiduciary capacity for the purpose of accomplishing the Organization's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards shall be those of a prudent investor.

Funds to be invested do not include those from Federal awards. Such funds will be spent on program requirements as budgeted or returned to the awarding agency. Any advances of Federal funds will be managed according to federal regulations.

Delegation of Authority

The Board of Directors of KSURSF has supervisory authority over KSURSF's investing. The Board is authorized to retain one or more Investment Counselors to assume the investment management function. In that regard, the Board may enter into agreements with, delegate investment authority to, pay compensation to, and receive reports from one or more Investment Counselors.

Investment Objectives

KSURSF's investment objectives are the preservation and protection of the Organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

Allowable Investments

Investments of KSURSF shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed $100,000, including interest, at commercial banks or savings and loan institutions;

2. U.S. Treasury securities and securities of Federal agencies and instrumentalities;

3. Repurchase agreements with financial institutions collateralized by U.S. Treasury or Federal agency securities;

4. Corporate bonds and notes rated A or better by Moody's and Standard & Poors;

5. Commercial paper rated P-1/A-1 by Moody's and Standard & Poors;

6. Money market funds that invest in securities approved under these guidelines.

KSURSF shall not engage in margin transactions, short selling, commodity transactions or use of derivatives.

Diversification

No more than ten percent of the investments of KSURSF shall be in the securities of any one issuer, with the exception of obligations of the U.S. government, its agencies and instrumentalities, and Federally-insured certificates of deposit.

Accounting Treatment

All purchased investments shall initially be recorded at cost. All investments acquired by donation to KSURSF shall initially be recorded at their fair value as of the date of donation. Donated investments shall be recorded as with restriction or without restriction income and net assets based on the existence or absence of such restrictions, as defined earlier.

Subsequent to acquisition, KSURSF carries all equity securities with readily determinable fair values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of KSURSF on a [quarterly] basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments (or from investments purchased with contributed funds) shall be classified as with restriction or without restriction based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier. Such unrealized gains and losses from investments purchased with without restriction funds shall be classified as without restriction.

Procedures and Reporting

The following procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of KSURSF and accurately reflect the current financial condition of the Organization:

1. KSURSF shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
    a. Date acquired
    b. Method of acquisition (purchase or donation)
    c. Cost or basis at acquisition
    d. Description of investment
    e. Interest rate (if applicable)
    f. Date of maturity (if applicable)
    g. Holder/issuer of security
    h. Current market value
    i. Unrealized gain or loss

j. Accrued interest receivable (if applicable)
k. Income received, year-to-date (i.e., interest, dividends, etc.)

2. KSURSF staff and Investment Counselor shall prepare a schedule of investments for presentation to the Board of Directors in a format and according to a schedule designated by the Board.

3. Investment policies shall be reviewed annually by KSURSF management and the Board.

4. Recommendations for any revisions or modifications to the investment policy will be made by KSURSF staff to the Board of Directors for their approval.

Accounting for Investments in Other Entities

Non-exempt entities in which the Organization possesses a greater-than-50-percent ownership interest shall be consolidated into the financial statements of the Organization. A non-exempt entity as used here means any for-profit entity that is not exempt from Federal income taxes, such as C Corporations, limited partnerships, S Corporations, LLPs, and LLCs, and that issues ownership or interests.

Entities in which the Organization holds a 50-percent or less interest, but over which the Organization exercises significant influence over operating and financial policies, shall be accounted for using the equity method of accounting. Under this method of accounting, an asset account is maintained to track the Organization's investment in the entity, and this asset account shall be adjusted upwards or downwards based on the Organization's share of the entity's profits or losses.

If the Organization holds less than 50 percent of an entity, or does not exercise significant influence, ownership shall be accounted for at the lower of cost or fair value (but see later policies governing consolidations, which supplement this policy).

PROPERTY AND EQUIPMENT

Capitalization Policy

KSURSF does not hold assets. Any physical assets acquired with unit costs in excess of $5,000 are transferred to KSU.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the Organization's financial statements, these assets will be transferred to KSU.

Contributed Assets

Assets with fair market values in excess of $5,000 (per unit) that are contributed to KSURSF shall be transferred to KSU. Contributed items with market values below this threshold shall be expensed in the year contributed.

LEASES

Classification of Leases

KSURSF classifies all leases in which the Organization is a lessee as either capital or operating leases. KSURSF shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to KSURSF at the end of the lease term;

2. The lease contains a bargain purchase option;

3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or

4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of KSURSF's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

The Government Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases (GASB-87) in June 2017. The GASB deemed it was necessary to update the lease guidance to provide better information to financial statement users.

GASB-87 requires all leases to be reported as capital leases and eliminates the classification of an operating lease unless the lease is a short-term, defined as 12 months or less. Classification of leases will comply with GASB-87 when the standard becomes applicable beginning after December 15, 2019 (December 31, 2020, for December year-ends and June 30, 2021, for June year-ends).

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that KSURSF shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, KSURSF shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the [straight-line] method of depreciation.

KSURSF shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

Scheduled Increases in Rent Payments

Leases with fixed (determinable amounts stated in the lease) increases in monthly rental payments shall be accounted for in a manner that results in an equal monthly rent expense being reported in each month over the entire initial lease term. Accordingly, monthly rent expense in the first year of such leases shall be greater than the monthly cash payment, with the difference being recorded as a liability. This liability will be reduced in the later years of the lease when the monthly cash rent payment is less than the monthly rent expense. To the extent future rent increases are not determinable at the beginning of the lease (because they are based on inflation or other factors), the preceding policy shall not apply and monthly rent expense shall be equal to the monthly cash payment, except as noted below.

Rent Abatements and Lease Incentives

Abatements of monthly rent payments, cash incentives, and other lease incentives shall be accounted for in a manner that results in an equal amount of monthly rent expense over the term of the lease agreement (before considering the effects of inflation-based rent increases, which will increase rent expense over the term of a lease). As a result, incentives received up front or over the early months of a lease, shall be established as a liability in KSURSF's accounting records (as deferred lease incentives or some similar name). This liability shall be amortized as an offset (credit) to rent expense over the term of the lease agreement.

Changes in Lease Terms

As described in earlier policies, leasehold improvements and deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, KSURSF will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.

INTANGIBLE ASSETS

Acquisition of Intangible Assets

Intangible assets include a variety of items, such as copyrights, service marks, trademarks, license agreements, photographs, videos, and others. The Organization may acquire intangible assets in any of the following manners:

1. Via contribution from a donor

2. By purchase from an outside party that holds title to an intangible asset

3. By internally developing an intangible asset through utilization of the Organization's employees, volunteers, and contractors (e.g. an employee writes a document on behalf of the Organization)

Accounting for Intangible Assets

Intangible assets acquired via contribution from donors shall be accounted for as assets measured at fair value at the date of the gift (see "fair value accounting procedures" for a description of internal controls over the establishment of fair values).

Intangible assets acquired by purchase shall be capitalized as assets at the purchase price paid for such assets.

The costs of intangible assets that are developed internally shall be charged to expense (not capitalized) if any of the following criteria are met:

1. The intangible asset is not specifically identifiable

2. The asset has an indeterminate life, or

3. The asset is inherent in the Organization and related to the Organization taken as a whole.

Costs of internally-developed intangible assets not meeting any of the three preceding criteria shall be capitalized. These costs may include salaries, allocated employee benefit costs, consultant fees, and other related costs.

Amortization

Capitalized intangible assets of the Organization shall be classified into one of three categories, as follows:

1. Assets with finite and precise useful lives (such as a license agreement with a fixed term)

2. Assets with finite, but imprecise, useful lives

3. Assets with indefinite useful lives

Intangible assets with finite and precise useful lives shall be amortized over their useful lives, using the straight-line method of amortization.

For intangible assets with finite, but imprecise, useful lives, the organization shall estimate a useful life and amortize the asset over that life, using the straight-line method of amortization.

For either of the two preceding categories of amortizable intangible assets, the Organization shall evaluate the useful life on an annual basis to determine whether an adjustment of the useful life is appropriate.

For intangible assets with indefinite useful lives, the cost of the asset shall remain on the books of the Organization as an asset, without reducing this basis for amortization, until such time as impairment in the value of the asset is determined to have occurred. See the next section for a description of the Organization’s policies and procedures associated with asset impairments.

In addition, intangible assets with indefinite useful lives shall be evaluated on an annual basis for purposes of determining whether the previously indefinite useful life has become finite and estimable (e.g. a copyright that when initially acquired had an indefinite life, but which has become dated and now has a finite remaining useful life). If it is determined that any intangible asset previously accounted for as having an indefinite useful has become an asset with a finite and estimable useful life, the Organization shall begin amortizing the intangible asset over the estimated remaining useful life (i.e. rather than recording an impairment in the value of the asset).

ASSET IMPAIRMENTS

Policy

Long-lived assets of the Organization include personal property and equipment, land, buildings, intangible assets, and other non-current assets. In connection with the long-lived assets, the organization shall record an impairment loss of the carrying amount (book value, net of any accumulated depreciation or amortization) when the asset is both:

1. Not recoverable (via sale, *etc*.)

2. In excess of the asset's fair value.

Long-lived assets shall be tested for impairment whenever events or changes in circumstances indicate that an asset's carrying value may be impaired. Examples of such events or circumstances that the organization shall consider include:

1. A significant decrease in the market price of a long-lived asset

2. A significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition

3. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action by a regulator

4. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset

5. A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that indicates continuing losses associated with the use of a long-lived asset

6. A current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

KSURSF will comply with the guidelines set forth in FASB ASC 360.

FAIR VALUE ACCOUNTING

Scope

Throughout this manual, numerous references are made to fair value accounting issues. Examples include the valuation of publicly traded securities held as investments, valuation of contributed services, other contributed non-cash assets, recording of asset impairment losses based on fair value declining below book value.

For purposes of this manual, the term fair value shall be defined as it is in GASB Statement 83, "*An ARO will be an estimate of the decommissioning costs (equipment, facilities, or services) as if it were to be acquired at the end of the reporting period, otherwise termed "current value" of outlays. The probability weighting of potential outcomes should be used, but if this is not possible, then the most likely amount in the range of potential outcomes can be used as an alternative."*

Determination of fair value shall be performed by the individuals identified in this manual associated with each type of fair value accounting issues. All fair value determinations in excess of $500 shall be reviewed and approved by the Director of Finance.

Disclosures

KSURSF shall comply with the disclosure requirements of new FASB ASC 820, in that it will disclose information in the footnotes to the financial statements that enable readers of the financial statements to assess the inputs used to develop all material fair value measurements associated with assets and liabilities of the organization.

To meet this expectation, KSURSF shall disclose the level within the fair value hierarchy described in FASB ASC 820 (i.e. Level 1, Level 2, or Level 3 inputs) in which all material fair value measurements fall (e.g. for publicly traded securities held as investments, the organization shall indicate that Level 1 inputs were used, consisting of prices quoted for identical assets in an active market).

KSURSF shall also disclose the valuation techniques used to measure fair value and a discussion of any changes in those techniques.

For any asset impairment losses recorded as a result of the policy described earlier, the organization shall disclose the reason for recording the impairment, in addition to the preceding disclosures.

POLICIES PERTAINING TO LIABILITY AND NET ASSET ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

The Accounting Department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by KSURSF at the end of an accounting period are:

- Rent
- Interest on notes payable
- Invoices from Kennesaw State University

In addition, KSURSF shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly.

Accrued Leave

KSURSF does not have employees and does not have an accrued leave policy. Employees are covered by KSU’s policy.

INCOME TAXES PAYABLE

Accrual of Income Taxes

KSURSF is exempt from federal income taxes. However, if KSURSF generates taxable income from unrelated trade or business activities, a liability for income taxes payable shall be accrued at the applicable corporate income tax rates.

All income taxes payable shall be paid by the due date of the returns on which such income taxes are to be reported. If KSURSF becomes subject to a requirement to remit estimated income taxes on a quarterly basis, such amounts shall be accrued and paid quarterly.

Income Tax Positions

KSURSF takes several "income tax positions" that are reflected in the organization's financial statements. The primary income tax positions of KSURSF are:

1. That KSURSF qualifies for its exemption from income taxes under IRC section 501(c)(3), meaning, it has not engaged in any activity that could result in revocation of this exemption

2. That KSURSF has properly determined which forms of revenue are subject to the unrelated business income tax and which forms of revenue are exempt from UBIT

3. That the calculations of income, deductions, tax credits, and other amounts reported on Form 990-T are in compliance with the Internal Revenue Code and IRS regulations

4. That KSURSF's calculations of income, deductions, etc. reported on its state income tax return are in compliance with state laws and regulations

5. That KSURSF's allocation of gross taxable income by state is in compliance with all applicable state laws and regulations (i.e. the organization is filing state returns in each state that would require a return)

It is the policy of KSURSF that all income tax positions taken by the organization shall meet the "more likely than not" criterion of FIN 48, meaning, the organization's management believes that it is more likely than not that the applicable taxing authorities would concur with the position taken by the organization. In reaching this determination, KSURSF shall perform whatever tax research is considered necessary and shall have the authority to engage the Organization's independent CPA firm or other outside experts for advice on such matters.

If the Organization receives advice and/or research from an outside party in connection with this policy, the organization shall make its own final determination of whether or not to take a particular income tax position. In doing so, it shall not blindly rely on outside advice. Rather, the organization shall gain a complete understanding of the conclusions reached by any outside parties in providing counsel to the organization in connection with this policy. Gaining this understanding and forming the income tax positions of KSURSF shall be the responsibility of KSURSF management.

KSURSF staff shall provide a briefing to the Board each time an income tax position is established or changed.

NOTES PAYABLE

General Policy

KSURSF requires that all notes payable be approved by the Board of Directors.

Recordkeeping

KSURSF maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

Non-Interest-Bearing Notes Payable

As a charitable organization, KSURSF may, from time-to-time, receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, KSURSF will record contribution income for any unpaid interest.

For demand loans, recording of interest expense and contribution income shall be performed at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid. Determination of the appropriate interest rate shall be performed by the [Director of Finance].

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate equal to the difference between a normal interest rate for that type of loan and the rate, if any, required to be paid. The difference between the cash proceeds of the note and the present value shall be recorded as without restriction income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Scope and Application

A conditional asset retirement obligation is defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Organization. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement.

KSURSF has no conditional asset retirement obligations.

Accounting Treatment

It is the policy of KSURSF to recognize a liability for each of the preceding identified conditional asset retirement obligations for which the fair value of the obligation is reasonably estimable. The amount of the liability shall be equal to the fair value of the conditional asset retirement obligation. The offsetting debit shall be to the basis of the asset.

The fair value of a conditional asset retirement obligation shall be considered to be reasonably estimable if any of the following conditions are present:

1. It is evident that the fair value of the obligation is embodied in the acquisition price of the asset,

2. An active market exists for the transfer of the obligation, or

3. Sufficient information exists to apply an expected present value technique.

If sufficient information to estimate the liability does not exist at the time the liability is incurred, the Organization shall record a liability at such future time when sufficient information becomes available to estimate the fair value.

If KSURSF has a conditional asset retirement obligation for which sufficient information to estimate the fair value of the liability does not exist, the organization shall make a disclosure in the footnotes to its annual audited financial statements. This disclosure shall include:

1. A description of the obligation,

2. The fact that a liability has not been recognized because the fair value cannot be reasonably estimated, and

3. The reasons why fair value cannot be reasonably estimated.

NET ASSETS

Classification of Net Assets

Net assets of the Organization shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

> **net assets with donor restrictions** (replaces former classifications of with restriction *net assets*).
>
> **net assets without donor restrictions** (replaces the previous classification without restriction *net assets*).

Net assets accumulated that are not subject to donor-imposed restrictions, but which the Board of Directors of the Organization has earmarked for specific uses, shall be segregated in the accounting records as "board-designated." Board-designated funds will be designated as without donor restriction.

Restrictions may be associated with either a time period (e.g. a particular future time period) or a purpose (e.g. specific programs). A purpose stipulation will be considered a restriction only if it is more specific than the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in KSURSF's Articles of Incorporation and Bylaws.

Reclassification from Net Assets with Donor Restrictions to Without Restrictions

The Organization shall report in its statement of activities a reclassification from with restriction to without restriction net assets if any of the following events occur:

1. Fulfillment of the purpose for which the net assets were restricted (e.g. spending restricted funds for the stipulated purpose)

2. Expiration of time restrictions imposed by donors

3. Death of an annuity beneficiary

4. Withdrawal by the donor (or by a court) of a time or purpose restriction

If a donor stipulates multiple restrictions (such as a purpose and a time restriction), reclassifications from with restriction to without restriction net assets shall be reported only upon the satisfaction of the final remaining restriction.

Reclassification from Net Assets Without Donor Restrictions to With Restrictions

If the Organization receives a with restriction contribution from a donor who further stipulates that the Organization set aside a portion of its without restriction net assets for that same purpose, the Organization shall report in its statement of activities a reclassification of net assets from without restriction to with restriction, based on the specific nature of the restriction.

Disclosures

The Organization discloses in a footnote to the financial statements the different types of temporary and permanent restrictions associated with the Organization's net assets as of the end of each fiscal year.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the Organization. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements that are maintained on an organization-wide basis shall include:

1. **Statement of Financial Position** - reflects assets, liabilities, and net assets of the Organization and classifies assets and liabilities as current or non-current/long-term.

2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the Organization, by category of net asset (with restriction and without restriction), including reclassifications between categories of net assets.

3. **Statement of Cash Flows** - reports the cash inflows and outflows of the Organization in three categories: operating activities, investing activities, and financing activities.

4. **Statement of Functional Expenses** – presents the expenses of the Organization in a natural or objective format and by function (i.e., which program or supporting service was served).

Frequency of Preparation

The objective of the Accounting Department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on a monthly basis, by the 25th of each month. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

1. Individual statements of activities on a departmental and functional basis (and/or program/grant basis)
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 10th of the month, and actual depreciation expense.

Review and Distribution

All financial statements and supporting schedules shall be reviewed and approved by KSURSF management. A complete set of monthly financial statements shall be distributed to the Board according to a schedule designated by the Board.

Budget Variance Report

On a monthly basis, KSURSF shall prepare a budget variance report for the Management and General account. KSURSF management shall review this to monitor expenditures.

Annual Financial Statements

On an annual basis, the Organization shall prepare a complete set of GAAP financial statements, including footnotes, addressing all disclosures required by GAAP. These financial statements shall be presented to KSURSF's independent auditors at the beginning of their annual audit as the draft statements from which they will conduct their audit.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidation Policy

While KSURSF shall maintain accounting records and prepare financial statements on a stand-alone basis, to facilitate financial management and preparation of reports and tax filings that must be prepared solely for the Organization, the Organization may also be required to prepare consolidated financial statements in order to fully comply with GAAP. When consolidated financial statements are prepared, a single set of financial statements is prepared that combines the assets, liabilities, net assets, revenues, expenses, gains and losses, and financial statements disclosures of multiple entities, with inter-company transactions eliminated.

The types of entities that KSURSF is affiliated with that may result in the requirement to be consolidated with KSURSF's financials are:

1. Other nonprofit organizations (Kennesaw State University, Kennesaw State University Foundation)
2. Corporations in which KSURSF has an ownership interest
3. Partnerships and LLCs

KSURSF shall prepare consolidated financial statements that include the accounts of other nonprofit organizations if both of the following conditions are met:

1. KSURSF has an economic interest, as defined in the AICPA's Statement of Position 94-3, in the other nonprofit organization, and

2. KSURSF has control over the appointment of a majority of a fully constituted board of the other nonprofit organization (i.e. KSURSF can appoint, approve or reject the appointment of voting board members)

In addition, KSURSF shall prepare consolidated financial statements that include the accounts of another nonprofit organization if KSURSF is the sole corporate member of the other nonprofit organization.

With respect to corporations that issue ownership interests, KSURSF shall prepare consolidated financial statements that include the accounts of such corporations only if KSURSF has a controlling financial interest in such corporation, as evidenced by ownership of a majority of the voting shares of stock in the corporation, and only control does not lie with another party as a result of bankruptcy or reorganization.

With respect to partnerships and LLCs, KSURSF shall prepare consolidated financial statements that include the accounts of such entities if it holds a controlling financial interest in any of these entities, as usually evidenced by ownership interests.

However, in the case of limited partnerships, in cases in which KSURSF is the sole general partner, it shall prepare consolidated financial statements that include the accounts of such limited partnership, regardless of its percentage interest in the profits or losses of the partnership, if KSURSF is deemed to have control over the limited partnership. KSURSF, if it is the sole general partner, shall be considered to have control over the limited partnership, regardless of its percentage interest in the profits or losses of the limited partnership, unless the limited partners have one of the following rights, as determined by reviewing the partnership agreement:

1. The substantive ability to dissolve the limited partnership or remove KSURSF as the general partner without cause, or

2. Substantive participating rights, such as selecting, terminating, and setting compensation of management of the partnership or establishing operating and capital decisions of the partnership.

GOVERNMENT RETURNS

Overview

To legitimately conduct business, KSURSF must be aware of its tax and information return filing obligations and comply with all such requirements of Federal, state and local jurisdictions.

Filing of Returns

KSURSF will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Filings made by KSURSF include, but are not limited to, the following returns:

1. **Form 990** - Annual information return of tax-exempt organizations, filed with IRS. Form 990 for KSURSF is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990 may be obtained filing Form 8868.

2. **Form 990-T** - Annual tax return to report KSURSF's unrelated trade or business activities (if any), filed with IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.

3. **1099's** - Annual report of non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to Federal Government by February 28. Generally, Form 1099 is required only if the organization has provided more than $600 in compensation to an independent contractor during the calendar year.

KSURSF's fiscal and tax year-end is June 30. All annual tax and information returns of KSURSF (Form 990, Form 990-T) are filed on the accrual basis of reporting.

Review of Form 990 by Board of Directors

A draft of KSURSF’s annual Form 990 information return shall be reviewed and approved by the Board of Directors prior to being filed with the Internal Revenue Service. This review and approval shall be documented with the signature of the Chief Operating Officer or Chief Executive Officer.

Public Access to Information Returns

Under regulations that became effective in 1999, KSURSF is subject to Federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), [excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A], and

2. KSURSF's original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

KSURSF shall comply with the Federal requirements to make its forms widely available by posting all required forms on the Organization's web site and referring all requesters to this web site within 7 days of receipt of any request for copies.

TRANSACTIONS WITH INTERESTED PERSONS

Identification of Interested Persons

In connection with complying with requirements of the Internal Revenue Code and the Form 990 information return, the Organization shall identify all individuals and entities qualifying as "interested persons" as defined by the IRS:

1. All current officers, directors, trustees and key employees (individuals required to be listed on the Form 990)

2. All former officers, directors, trustees and key employees

3. Substantial contributors (a person required to be listed on Schedule B of the Form 990)

4. Family members of any individual listed in 1, 2, or 3, defined as spouses, ancestors, brothers, sisters, children, grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren

5. A 35% controlled entity of any of the persons listed in 1, 2, or 3

Record of Transactions with Interested Persons

The Organization shall maintain a record of all transactions and balances with interested persons for each fiscal year for purposes of disclosure on the Form 990. This record shall be reviewed and approved by KSURSF management and provided to the Form 990 preparer.

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

KSURSF properly identifies and classifies income-producing activities that are unrelated to the Organization's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income accounts shall be segregated in separate accounts in the general ledger in order to facilitate tracking and accumulation of unrelated trade or business activities.

Allocation of Expenses to Unrelated Activities

In addition to segregating income associated with activities that are unrelated to KSURSF's exempt purpose, the Organization's general ledger shall also provide accounts for expenses associated with each such unrelated activity. These expenses shall be offset against unrelated business revenue in arriving at unrelated business taxable income. Expenses that shall be offset against gross unrelated business income shall be limited to those expenses directly associated with the production of such income, including reasonable allocation of indirect costs that benefit each activity, in accordance with expense allocation policies described elsewhere in this manual.

Reporting

KSURSF will file IRS Form 990-T to report taxable income from unrelated trade or business activities. Form 990-T is not subject to any public access or disclosure requirements. Accordingly, it is the policy of KSURSF not to distribute copies of Form 990-T to anyone other than management of the Organization.

KSURSF shall also report taxable income from unrelated trade or business activities that are subject to state or local income or franchise taxes on the appropriate return.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the Organization's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of the Organization's programs and activities simultaneously in light of the available resources.

Budgets are also prepared for funding sources and each grant manager must be aware of budget modification requirements. Awarding agencies may or may not require approval for changes in line items. KSURSF will document and follow all such requirements.

Preparation and Adoption

KSURSF management will prepare an annual budget on the accrual basis of accounting and present it to the Chief Operating Officer for discussion, revision, and initial approval.

The revised draft is then submitted to the Board of Directors for adoption.

It is the policy of KSURSF to adopt a final budget at least [30 days] before the beginning of the Organization's fiscal year.

Budgets for programs that are not on the Organization's fiscal year will be prepared in accordance with awarding agency requirements.

Monitoring Performance

KSURSF monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced and reviewed by KSURSF staff.

Budget and Program Revisions (Federal Government Grants)

KSURSF will request prior approval from Federal awarding agencies according to 2 CFR 200 and the terms and conditions of the award.

ANNUAL AUDIT

Role of the Independent Auditor

KSURSF will arrange for an annual audit of the Organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Board of Directors will be required to communicate directly with the Board upon the completion of their audit. In addition, members of the Board are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm at the next Board meeting.

Auditor Independence

KSURSF may from time to time request the independent auditor to provide services outside the scope of the annual audit and Form 990 preparation. In connection with these non-audit services, it is imperative that the independent auditor remain independent in fact and in appearance in order to continue serving the Organization as its auditor.

Generally, in order to remain independent with respect to the audit, the Organization’s auditors should not provide non-audit services that involve performing management functions or making management decisions nor should they provide non-audit services in situations where the non-audit services are significant/material to the subject matter of the audits (or where they would be auditing their own work in connection with the annual audit).

Therefore, it is the organization’s policy to evaluate any non-audit service requested from the independent auditor for possible impairments to the firm’s independence, and to not permit the performance of any services that would impair independence.

In addition, for each non-audit service that is to be provided by the Organization’s independent auditor, the Organization shall:

1. Designate a management level individual to be responsible and accountable for overseeing the non-audit service;

2. Establish and monitor performance of the non-audit service to ensure that it meets management’s objectives;

3. Make any decisions that involve management functions related to the non-audit service and accept full responsibility for such decisions; and

4. Evaluate the adequacy of the services performed and findings that result.

How Often to Review the Selection of the Auditor

KSURSF shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm

2. When a fresh perspective and new ideas are desired

3. Every five years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years; simply to re-evaluate the selection)

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by KSURSF in selecting an accounting firm:

1. The firm's reputation in the nonprofit community
2. The depth of the firm's understanding of and experience with not-for-profit organizations and Federal reporting requirements under OMB Circular A-133 and 2 CFR 200

3. The firm's demonstrated ability to provide the services requested in a timely manner

4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner

If KSURSF decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required

2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of KSURSF
6. Chart of account information
7. Financial information about the Organization
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with OMB Circular A-133
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposals

13. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve KSURSF
3. Client references
4. Information about the firm's capabilities
5. Firm's approach to performing an audit
6. Copy of the firm’s most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

In order to narrow down the proposals to the top selections, the university Controller or designee, the Director of Grants and Contracts Accounting and the Executive Director of Sponsored Programs shall form an Audit Committee and to discuss the proposal. Copies of all proposals shall be forwarded to each member of the Audit Committee. After the field of prospective auditors to 3 firms, final interviews of each firm are conducted by the Audit Committee, who make the final recommendation to the Board of Directors for approval.

<u>Preparation for the Annual Audit</u>

KSURSF shall be actively involved in planning for and assisting with the Organization’s independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Accounting Department shall assist the independent auditors in the following areas:

Planning – KSURSF management shall review the list of information requested by the auditors and assign responsibility for each item to the appropriate staff of KSURSF. Management shall then schedule and direct status meetings in the weeks leading up to the audit in order to review the progress of staff in preparing for the audit.

Management shall arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with KSURSF board members to facilitate the auditor’s work. Prior to any such meetings or discussions, management shall inform each Organization participant of the nature of the discussion or meeting and what, if any, preparations they should do prior to the meeting. Management shall communicate to each KSURSF participant in such meetings or discussions the importance of being open, honest and frank with the auditors with respect to any and all questions posed by the auditors.

Involvement - Organization staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Organization's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, KSURSF will make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements of KSURSF from its independent auditor, the KSURSF management shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors

2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of KSURSF
3. Review each footnote for accuracy and completeness

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the management.

KSURSF shall also review and respond in writing to all management letters or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Board.

Audit Adjustments

It is the policy of KSURSF to record all adjustments prepared by the independent auditor in connection with the annual audit, in order for the internal financial statements of the Organization to agree with the final audited financial statements for the year.

The Organization may also receive a list of unadjusted differences (or passed audit adjustments) from the independent auditor in connection with the audit. If the Organization receives such a list, KSURSF shall make any necessary adjusting journal entries in the accounting records of the fiscal year subsequent to the audited year in order to correct any uncorrected misstatements that carry forward from the audited period.

Internal Control Deficiencies Noted in the Audit

In accordance with generally accepted auditing standards, at the conclusion of the audit the Organization's independent auditors may provide a written communication of internal control deficiencies noted in connection with their audit. Not all deficiencies in internal control are required to be reported by the auditor. Only the following two types of deficiencies are required to be communicated:

1. **Material weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

2. **Significant deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Organization's independent auditors are required to provide written communication to the Board of all significant deficiencies and material weaknesses (i.e. only those deficiencies that rise to the level of materiality at which they qualify under the definitions provided above, in the opinion of the auditor).

It is the Organization's policy that all internal control deficiencies that are communicated by the auditor in writing shall be formally addressed by KSURSF and the Board. KSURSF shall prepare a written response, which shall include a corrective action plan, to each internal control finding and such response shall be presented to the audit committee for its review and approval.

Board Communications with the Auditors

In accordance with generally accepted auditing standards, in connection with and at the conclusion of each annual audit, the auditors are required to make certain communications directly to the Board.

Some of the communications that KSURSF's auditors may have with the Board include:

1. Planning discussions prior to commencing the audit, such as by inquiring of Board members their perception of where the risk of material misstatements in the Organization's financial statements may be greatest, the various risks of fraud, and other inquiries.

2. Planning stage communications informing the Board of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the Board members having a thorough understanding of the audit

3. Internal control deficiencies noted during the audit, communicated in writing at the conclusion of the audit

4. Any material fraud detected by the auditor, or any fraud, regardless of materiality, involving senior management, noted at any time during the audit

5. Significant problems or other issues that arose during the audit (e.g. disagreements with management and certain other items that the auditors may be required to report to the audit committee)

6. Audit adjustments made by the auditors as a result of their audit

7. Certain audit differences noted by the auditors that they deemed not material enough to warrant making an adjustment for.

Board members should be aware of these communications and engage in active discussions with the auditors whenever it is considered appropriate in the fulfillment of these or their other duties.

INSURANCE

Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of KSURSF.

KSURSF maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery and other items of value.

Coverage Guidelines

As a guideline, KSURSF will arrange for the following types and levels of insurance as a minimum:

Type of Coverage	Amount of Coverage
Comprehensive Liability	$1,000,000
Automobiles for Employees, Volunteers or Escorts	$1,000,000
Employee dishonesty/bonding	$1,000,000 for all accounting department employees and the [Executive Director]
Fire and Water Damage	Coverage for all items with acquisition cost greater than $1,000
Directors and Officers	$1,000,000 (with an appropriate deductible level)
Theft	Coverage for all items with acquisition cost greater than $1,000
Workers' Compensation	To the extent required by law

KSURSF shall maintain a detailed listing of all insurance policies in effect. This listing shall include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts and frequency of payment
5. Policy effective dates
6. Date(s) premiums paid and check numbers

Insurance Definitions

Workers' Compensation and Employer's Liability

Contractors are required to comply with applicable Federal and state workers' compensation and occupational disease statutes. If occupation diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy, except when contract operations are so commingled that it would not be practical to require this coverage.

Fidelity Bond

For all personnel handling cash, preparing or signing checks, KSURSF shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the Organization will determine the dollar limit of this coverage.

Comprehensive Liability

This type of coverage may include directors, officers and employee general liability insurance, buildings, contents, computers, fine arts, boilers and machinery.

RECORD RETENTION

Policy

KSURSF retains records as required by State of Georgia or Federal law, whichever is more restrictive. https://www.usg.edu/records_management/guidelines/

FUNCTIONAL EXPENSE ALLOCATIONS

Overview

As one of its financial management objectives, KSURSF strives to determine the actual costs of carrying out each of its program service and supporting activities. In this regard, it is the policy of KSURSF to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function shall be allocated between functions whenever possible.

Program and supporting service functions of KSURSF are:

Programs:
- Individual projects

Supporting Services:
- Management and general

Direct Charging of Costs

Costs shall be directly charged to the appropriate KSURSF function based upon supporting documentation and in accordance with project budgets. For federal grants, documentation shall consist of KSU invoices.

Accounting for Joint Activities That Include Fund-Raising

KSURSF engages in certain activities that simultaneously accomplish a programmatic purpose and a fund-raising purpose. It is the policy of KSURSF to account for such activities in accordance with the AICPA's Statement of Position 98-2.

One hundred percent of the costs of each such activity shall be accounted for as fund-raising costs unless all three of the criteria described in SOP 98-2 are met with respect to that individual activity. The three criteria that must be met are:

1. The purpose criterion

2. The audience criterion

3. The content criterion

A complete explanation of these criteria goes beyond the scope of this policy statement. However, generally, the purpose criterion involves a call for programmatic action by the recipient (beyond simply making a donation to the Organization), as well as a "compensation" test and a "comparison" test. The audience criterion requires that if the audience includes prior donors or is otherwise selected (even in part) based on a perceived ability or likelihood to make a contribution, the audience must either have a need for or use of the call to action described in the purpose criterion or have the ability to take that action (i.e. the audience criterion necessitates that proper targeting of a message to individuals). The content criterion is met if the call for action helps to accomplish KSURSF's specifically stated tax-exempt mission by benefiting either the recipient or society.

It is the policy of KSURSF not to apply the provisions of SOP 98-2 to activities or communications that are predominantly programmatic or management and general in nature, with only an incidental element of fund-raising.

For joint activities that meet all three SOP 98-2 criteria, the Organization shall identify costs as 1) exclusively associated with the programmatic portion of the activity, 2) exclusively associated with the fund-raising element of the activity, or 3) joint costs of the joint activity. For all joint costs associated with a joint activity, the Organization shall develop and utilize cost allocation methods that are appropriate for the nature of the cost and activity involved. One example of a joint cost allocation method used by KSURSF is the physical units method, in which joint costs are allocated between program and fund-raising costs in proportion to the number of units of output that can be attributed to each purpose.

FEDERAL GOVERNMENT SUBRECIPIENTS

Proposal Stage

When a subrecipient is to be included in a proposal, a signed subrecipient commitment form shall be forwarded by the proposed subrecipient to the KSU Office of Research. http://research.kennesaw.edu/docs/forms/KSU_subrecipient_commitment_form.pdf

The form collects the following information about the subrecipient: PI, DUNS, EIN, proposal information, F&A and fringe benefits rates, human subjects and animals, RCR plan, lobbying, FCOI, debarment, fiscal responsibility, audit status (including link to current audit), and an authorized signature.

Subrecipient vs. Contractor Determination

KSURSF follows the regulations in 2 CFR 200 for subrecipient and contractor determinations.

§200.330 Subrecipient and contractor determinations.

The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

(a) *Subrecipients.* A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. See §200.92 Subaward. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

(1) Determines who is eligible to receive what Federal assistance;

(2) Has its performance measured in relation to whether objectives of a Federal program were met;

(3) Has responsibility for programmatic decision making;

(4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and

(5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

(b) *Contractors.* A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See §200.22 Contract. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:

(1) Provides the goods and services within normal business operations;

(2) Provides similar goods or services to many different purchasers;

(3) Normally operates in a competitive environment;

(4) Provides goods or services that are ancillary to the operation of the Federal program; and

(5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

(c) *Use of judgment in making determination.* In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

Making of Subawards

If the subrecipient is written into the proposal, KSURSF assumes that it has permission to issue a subaward (the subaward is issued from KSU). In all other cases, KSURSF seeks approval in writing from the federal awarding agency and agrees to the subrecipient monitoring provisions described in 2 CFR 200.

Because funds are flowed through to KSU, the subaward is issued by KSU. In most cases, the FDP (Federal Demonstration Partnership) subaward template is used because it ensures that all applicable federal terms and conditions are flowed through to the subrecipient. http://thefdp.org/default/subaward-forms/. On occasion, the template is not appropriate and a tailored agreement that directly cites all applicable award terms and conditions is used. **IN ALL CASES, ALL APPLICABLE FEDERAL TERMS AND CONDITIONS ARE FLOWED THROUGH TO THE SUBRECIPIENT.**

Subrecipient Monitoring

KSURSF complies with the regulations contained in 2 CFR 200: §200.331 Requirements for pass-through entities. Accordingly, for each subrecipient, KSURSF will:

(a) **Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward** for purposes of determining the appropriate subrecipient monitoring described in paragraphs (c) and (d) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

(b) **Consider imposing specific subaward conditions upon a subrecipient** if appropriate as described in §200.207 Specific conditions.

(c) **Monitor the activities of the subrecipient as necessary** to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(d) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

(e) **Verify that every subrecipient is audited as required by Subpart F**—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

(f) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

(g) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.