

Revenue Recognition Policy Guidelines

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I. Purpose:

In support of the Revenue Recognition Policy this guideline relates to the appropriate accounting of revenue from various sources for restricted and unrestricted purposes in accordance with the Restricted Fund Method of Accounting [Canadian Institute of Chartered Accountants (CICA) Handbook (HB) 4410.57-.77].

The Revenue Recognition Policy addresses external revenue transactions between the University of Saskatchewan and non-University entities (Note that Chart 2 entities as recorded in Unifi are considered non-University entities.). Revenue transactions between University entities (i.e. between colleges and units) should be recorded as internal cost recoveries.

Three overarching issues will be addressed:

- a) Identification of external revenue restrictions:
 - Whether the revenue to be recorded is classified as restricted purpose or unrestricted purpose.
- b) Where to record revenue (fund classification):
 - Whether the revenue is recorded in a restricted or unrestricted fund.
- c) When to record revenue:
 - When does the University have the obligation to record the revenue?

II. Responsibilities:

Financial Services Division is responsible for recording revenue and setting up accounts receivable for grant and contract revenue transactions in the Student Financial Aid, Research and Capital Restricted Funds.

Financial Services Division is responsible for recording investment income and setting up accounts receivable for any funds which are invested by the University either self-managed or as part of the University investment pool.

Corporate Administration is responsible for recording real estate income and setting up accounts receivable for University properties under its administration.

Colleges and units are responsible for recording revenue, setting up accounts receivable and recording deferred revenue in the General Fund (see definition below) for activity managed at the college or unit level.

III. Definitions:

Contract - a reciprocal agreement between two or more parties creating enforceable obligations. The University of Saskatchewan requires that the agreement be in writing, signed by the duly authorized University personnel in accordance with the University Signing Authority Policy. Common features of most contracts:

- Contract defines the scope and nature of the work;
- Contract establishes the term of the contract, the cash flows, reporting requirements and duration;
- Contract details any obligations the University must fulfill before it is eligible to access subsequent year's revenues;
- Contract specifies what is to happen to any unspent resources;
- Contract often contains requirements for regular invoicing.

Contribution - a non-reciprocal transfer to a not-for-profit organization of cash or other assets or a non-reciprocal settlement or cancellation of its liabilities. Government funding provided to a not-for-profit organization is considered to be a contribution [CICA HB 4420.02 (b)]. Examples include grants, gifts and bequests but do not include sales of services or product to government.

Contribution Receivable - *should be recognized as an asset when it meets the following criteria:*

- a) The amount to be received **can be reasonably estimated**; and
- b) Ultimate **collection is reasonably assured**. [CICA HB 4420.03]

For purposes of revenue recognition, contributions include contributions receivable.

The University has determined that one of the critical elements to meeting the contribution receivable criteria is the existence of a formal agreement, evidenced by signed documentation, regarding the contribution. Signed documentation is evidence of both parties formal commitment to the specific nature and terms of the agreed-upon arrangement.

Endowment Contribution - is a type of restricted contribution subject to externally imposed stipulations specifying that the resources contributed be maintained permanently, although the constituent assets may change from time to time.

Endowment Fund - a self-balancing set of accounts which report the accumulation of endowment contributions. Only endowment contributions and investment income subject to restrictions stipulating that it be added to the principal amount of the endowment fund would be reported as revenue of the endowment fund. Allocations of resources to the endowment fund that result from the imposition of internal restrictions are recorded as interfund transfers. [CICA HB 4410.02 (e)(ii)]

Fund - a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein,

which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

General Fund - a self-balancing set of accounts which reports all unrestricted revenue and restricted contributions for which no corresponding restricted fund is presented. The fund balance represents net assets that are not subject to externally imposed restrictions. [CICA HB 4420.02 (e)(iii)]

For the University of Saskatchewan, the General Fund encompasses all Operating Funds and Ancillary Funds.

Grant - financial support for a particular subject area or field without formal detailed stipulations. Consistent with characteristics identified in policies and guidelines developed by Research Services, http://www.usask.ca/research/research_services/policies.php, the following are often present in a grant:

- Flexibility exists to revise the course of the work as it proceeds without the approval of the sponsor;
- Payment of the grant is not linked to the timeliness or contents of the results and is usually paid in advance or through a series of advances;
- No restrictions are placed on the publication of results as they are intended for public dissemination;
- Sponsor does not reserve to itself rights to the commercial exploitation of results;
- Principal Investigator or any co-investigator(s) cannot be compensated under the project.

Investment Income - revenue arising from the use by others of University assets including, but not exclusive to, the following categories:

- Interest - on a time proportion basis;
- Royalties - as they accrue, in accordance with the terms of the relevant agreement;
- Dividends - when the shareholder's right to receive payment is established;
- Realized gains and losses - in the period in which they occur;
- Unrealized gains and losses - in the period in which they occur, as GAAP applicable.

Investment income will be considered to be restricted or unrestricted based on the restrictions imposed on the resources originally contributed.

Real Estate Income - income generated from real estate, such as lease or rent payments

Restricted Contribution - a contribution subject to externally imposed stipulations that specify the purpose for which the contributed asset is to be used. A contribution restricted for the purchase of a capital asset or a contribution of the capital asset itself is a type of restricted contribution. [CICA HB 4410.02(b)(i)]

Restricted Fund - a self-balancing set of accounts the elements of which are restricted or relate to the use of restricted resources. Only restricted contributions, other than endowment contributions, and other externally restricted revenue would be reported as revenue in a restricted fund. Allocations of resources that result from the imposition of internal restrictions are recorded as interfund transfers to the restricted fund. [CICA HB 4420.02 (e)(i)].

The University of Saskatchewan utilizes three types of restricted funds: Student Financial Aid, Research and Capital.

Sale of Services or Products - any sale of a good or service to parties external to the University.

Student Fees - tuition and fees as defined in University Policy 4.33 “Tuition and Fees Authorization”.

Unrestricted Revenue - neither restricted nor endowed; available for general use

IV. Major Sources of Revenue and Normal Categorization:

Revenue	Restricted	Unrestricted
Student fees		X
Sales of services and products		X
Grants	X	
Contracts	X	X
Gifts and bequests (including gift-in-kind)	X	X
Income from investments	X	X
Real estate income	X	X
Miscellaneous income	X	X

The three overarching issues discussed in the “Purpose” section should be addressed as follows:

a) Identification of Type of Revenue:

[See “Major Sources of Revenue and Normal Categorization” table above]:

- Student fees and the sale of services and products are always considered unrestricted forms of revenue.
- Grants are always considered restricted contributions since by definition they are financial support for a particular subject area or field.
- Contracts may be for unrestricted purposes or for restricted purposes (e.g. where external third parties attach stipulations as to how contractual funds may be spent).
- Gifts and bequests may be received as unrestricted contributions or restricted contributions (i.e. where external third parties attach stipulations as to their use).
- Income from investments and real estate income may be unrestricted or restricted revenue, based on the original investment and any external restrictions.
- Miscellaneous income may be unrestricted or restricted revenue, based on the source of income and any external restrictions.

b) Where to Record Revenue (Fund Classification):

[See “Decision Tree Illustration for Organizations” below]:

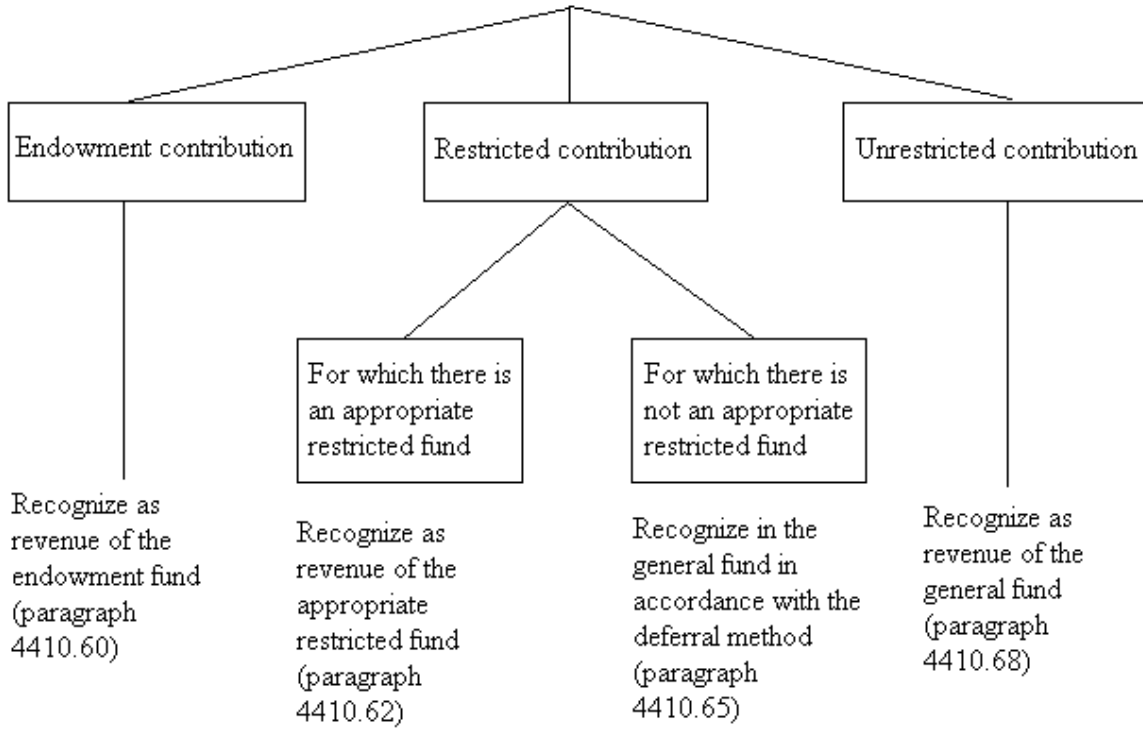
- Student fees and the sale of services and products, always considered unrestricted forms of revenue, are recorded in the General Fund.
- Grants received as restricted contributions for Student Financial Aid, Research or Capital purposes, are recorded in the applicable restricted fund.

- Grants received as restricted contributions where there is no specific restricted fund are recorded in the General Fund. This revenue must then be deferred and recognized as applicable matching expenses are recorded.
- Unrestricted contract revenue is recorded in the General Fund.
- Contract revenue restricted for Student Financial Aid, Research or Capital purposes is recorded in the applicable restricted fund.
- Contract revenue restricted for purposes where there is no specific restricted fund is recorded in the General Fund.
- Gifts and bequests, received as unrestricted contributions, are recorded in the General Fund.
- Gifts and bequests, received as restricted contributions for Student Financial Aid, Research or Capital purposes, are recorded in the applicable restricted fund.
- Gifts and bequests received as restricted contributions where there is no specific restricted fund are recorded in the General Fund. This revenue must then be deferred and recognized as applicable matching expenses are recorded.
- Income from investments and real estate income are recorded in a restricted fund or unrestricted fund based on the terms mandated by the original grant, contract, gift or bequest.
- Miscellaneous income from unrestricted sources is recorded in the General Fund.
- Miscellaneous income for Student Financial Aid, Research or Capital purposes is recorded in the applicable restricted fund.
- Miscellaneous income received with restrictions where there is no specific restricted fund is recorded in the General Fund. This revenue must then be deferred and recognized as applicable matching expenses are recorded.
- Endowment contributions are recorded in the Endowment (restricted) Fund

Application:

CICA HB 4410.80 Decision Tree Illustration for Organizations, such as the University of Saskatchewan, using the Restricted Fund Method:

Organization following the restricted fund method



c) When to Record Revenue:

[See tables below: “Recognition of Unrestricted Revenue Sources” and “Recognition of Restricted Revenue Sources”]:

Recognition of Unrestricted Revenue Sources:

Type of Unrestricted Revenue	Timing of Recognition	CICA Handbook Reference
Student Fees (type of sales and service)	<ul style="list-style-type: none"> ▪ record as revenue in the year courses and seminars are held ▪ defer revenue if for future period course or seminar ▪ prorate revenue if course or seminar spans the fiscal year-end 	3400.06 -.07
Sales of Services and Products	<ul style="list-style-type: none"> ▪ record as revenue when product sold or service provided (set up accounts receivable, if payment not received) ▪ defer deposits on sale until transfer of risks and rewards of ownership 	3400.06 -.08
Contracts	<ul style="list-style-type: none"> ▪ record revenue as the service or contract activity is performed ▪ ensure enforceable obligations have been met 	3400.13-.15
Gifts and Bequests (including gift-in-kind)	<ul style="list-style-type: none"> ▪ record as revenue in period funds received or receivable ▪ pledges are not recorded until received 	4410.68
Income from Investments	<ul style="list-style-type: none"> ▪ record as revenue when reasonable assurance exists regarding measurement and collectability 	3400.09 4410.49 -.51
Real Estate Income	<ul style="list-style-type: none"> ▪ record as revenue in period funds earned (set up accounts receivable, if not received) 	3065
Miscellaneous Income	<ul style="list-style-type: none"> ▪ record as revenue in period funds earned (set up accounts receivable, if not received) 	1000.47

Student Fees (Unrestricted):

Student fees are recorded as revenue in the General Fund in the time period in which the course or seminar occurs.

If student fees are received prior to when the course or seminar occurs, this revenue must be deferred as a liability (deferred revenue) until earned.

If the course or seminar overlaps fiscal periods, revenue must be prorated between periods. For example, if a course ran from January to June of a calendar year, at April 30 (the University’s year-end), record 4/6th of the revenue generated from student fees and defer 2/6th of the revenue generated from student fees.

Sales of Services and Products (Unrestricted):

- Sales of services and products are recorded as revenue in the General Fund at the time the product is sold or the service is provided.
- If payment is not received at the time the product is sold or the service is provided, an account receivable should be set up in UniFi for the sale of product or service that took place.
- Deposits on future sales are recorded as deferred revenue (a liability) and would be applied against the total of the good or service at the time the sale is recorded (i.e. at the time the seller transfers the risks and rewards of ownership to the buyer).

Contracts (Unrestricted):

- Unrestricted contracts are recorded as revenue in the General Fund as the service or contract activity is performed, provided that at the time of performance ultimate collection is reasonably assured. If payment is not simultaneously received, revenue should still be recorded and a corresponding accounts receivable set up in the period that the service or contract activity is performed.

Gifts and Bequests (Unrestricted):

- Unrestricted gifts and bequests are recorded as revenue in the General Fund in the period received or receivable, if ultimate collection is reasonably assured.
- Due to uncertainty surrounding ultimate collection, accounts receivable are not recorded for pledged gifts and bequests.

Investment Income (Unrestricted):

- Unrestricted investment income is recorded as revenue in the General Fund when reasonable assurance exists regarding measurement and collectability.

Real Estate Income (Unrestricted):

- Unrestricted real estate income is recorded as revenue in the General Fund in the period earned.
- Real estate income earned but not received is accrued in the General Fund.

Miscellaneous Income (Unrestricted):

- Unrestricted miscellaneous income is recorded as revenue in the General Fund in the period earned.
- Miscellaneous income earned but not received is accrued in the General Fund.

Recognition of Restricted Revenue Sources:

Type of Restricted Revenue	Timing of Recognition	CICA Handbook Reference
Grants, with a corresponding restricted fund (i.e. for research, student financial aid, capital)	<ul style="list-style-type: none"> ▪ record as revenue upon receipt of signed documentation (set up accounts receivable, if funding not received) ▪ consider implications of multi-year agreements (see below) 	4410.62 4420.03
Grants, without a corresponding restricted fund	<ul style="list-style-type: none"> ▪ record as revenue upon receipt of signed documentation (set up accounts receivable, if funding not received) ▪ consider implications of multi-year agreements (see below) ▪ defer revenue if for future period expenses 	4410.65 4420.03
Contracts, with a corresponding restricted fund (i.e. for research, student financial aid, capital)	<ul style="list-style-type: none"> ▪ record revenue as the service or contract activity is performed (set up accounts receivable, if payment not received) ▪ ensure enforceable obligations have been met 	3400.13-.15
Contracts, without a corresponding restricted fund	<ul style="list-style-type: none"> ▪ record revenue as the service or contract activity is performed (set up accounts receivable, if payment not received) ▪ ensure enforceable obligations have been met ▪ defer revenue if for future period expenses 	3400.13-.15
Gifts and bequests (including gift-in-kind), with a corresponding restricted fund (i.e. for research, student financial aid, capital, endowment)	<ul style="list-style-type: none"> ▪ record as revenue in period funds received or receivable ▪ pledges are not recorded until received 	4410.68
Gifts and bequests (including gift-in-kind), without a corresponding restricted fund	<ul style="list-style-type: none"> ▪ record as revenue in period funds received or receivable ▪ pledges are not recorded until received ▪ defer revenue if for specific expenses that have not yet been incurred 	4410.65
Income from investments, with a corresponding restricted fund (i.e. for research, student financial aid, capital)	<ul style="list-style-type: none"> ▪ record as revenue when reasonable assurance exists regarding measurement and collectability 	3400.09 4410.49 -.51
Income from investments, without a corresponding restricted fund	<ul style="list-style-type: none"> ▪ record as revenue when reasonable assurance exists regarding measurement and collectability ▪ defer revenue if for specific expenses that have not yet been incurred 	3400.09 4410.49 -.51
Real estate income, with a corresponding restricted fund (i.e. for research, student financial aid, capital)	<ul style="list-style-type: none"> ▪ record as revenue in period earned (set up accounts receivable, if not received) 	3065
Real estate income, without a corresponding restricted fund	<ul style="list-style-type: none"> ▪ record as revenue in period earned (set up accounts receivable, if not received) ▪ defer revenue if for specific expenses that have not yet been incurred 	3065
Miscellaneous income, with a corresponding restricted fund (i.e. for research, student financial aid, capital)	<ul style="list-style-type: none"> ▪ record as revenue in period funds earned (set up accounts receivable, if not received) 	4410.57

Miscellaneous income, without a corresponding restricted fund	<ul style="list-style-type: none"> ▪ record as revenue in period funds earned (set up accounts receivable, if not received) ▪ defer revenue if for specific expenses that have not yet been incurred 	4410.57
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Grants (Corresponding Restricted Fund):

- Restricted grants are recorded as revenue in the corresponding restricted fund if we have documentation (i.e. signed agreement has been received) which allows the amount to be reasonably estimated and if ultimate collection is reasonably assured. If payment is not received, revenue should still be recorded and a corresponding account receivable set up when the documentation is received.

Grants (No Corresponding Restricted Fund):

- Restricted grants with no corresponding restricted fund are recorded as revenue in the General Fund when a signed agreement has been received which allows the amount to be reasonably estimated and if ultimate collection is reasonably assured. If payment is not received, revenue should still be recorded and a corresponding account receivable set up when the documentation is received.
- If the grant or contract is restricted for expenditures of one of more future periods, it is deferred and recorded as revenue in the same period or periods as the related expenses are recorded.

Note: Grants may be annual or multi-year agreements. Multi-year agreements generally fall in one of two categories:

1. Agreements where each subsequent year’s funding is subject to an approval process, such as appropriation in Parliament:
 - In this instance, the first year’s funding is recorded as revenue in the appropriate fund when documentation (e.g. signed agreement or award letter) is received which allows the amount to be reasonably estimated and if ultimate collection is reasonably assured. One subsequent year’s funding is recorded as revenue (set up as accounts receivable, if payment has not been received) on the anniversary date as most funding agencies recognize and approve annual cash flows for liabilities. For example, assume a 5 year agreement for \$100,000 began January 1, with \$20,000 to be received on signing and \$20,000 on each subsequent anniversary date. On receipt of the signed agreement, Year 1, \$20,000 would be recorded as revenue (if the funding did not accompany the signed agreement, an accounts receivable would be set up). At January 1, Year 2 another \$20,000 is recorded, debiting accounts receivable and crediting revenue for the subsequent year’s funding that will be received in the upcoming fiscal year, because the amount to be received can be reasonably estimated and assuming ultimate collection is reasonably assured.

2. Agreements where each subsequent year’s funding is NOT subject to an annual approval process:
 - When agreements are not subject to an annual approval process, the entire value of the agreement will be recorded as revenue when documentation (e.g. signed agreement or award letter) is received if reasonable assurance exists as to ultimate collectability.

Contracts (Corresponding Restricted Fund):

- Restricted contracts are recorded as revenue in the corresponding restricted fund as the service or contract activity is performed, provided that at the time of performance ultimate collection is reasonably assured. If payment is not simultaneously received, revenue should still be recorded and a corresponding account receivable set up.

Contracts (No Corresponding Restricted Fund):

- Restricted contracts with no corresponding restricted fund are recorded as revenue in the General Fund as the service or contract activity is performed, provided that at the time of performance ultimate collection is reasonably assured. If payment is not simultaneously received, revenue should still be recorded and a corresponding account receivable set up.

Gifts and Bequests (Corresponding Restricted Fund):

- Restricted gifts and bequests are recorded as revenue in the corresponding restricted fund when received or receivable, if ultimate collection is reasonably assured.
- Due to uncertainty surrounding ultimate collection, accounts receivable are not recorded for pledged gifts and bequests.

Gifts and Bequests (No Corresponding Restricted Fund):

- Restricted gifts and bequests with no corresponding restricted fund are recorded as revenue in the General Fund when received or receivable, if ultimate collection is reasonably assured.
- If the gift or bequest is restricted for expenditures of one or more future periods, it is deferred and recorded as revenue in the same period or periods as the related expenses are recorded.
- Due to uncertainty surrounding ultimate collection, accounts receivable are not recorded for pledged gifts and bequests.

Investment Income (Corresponding Restricted Fund):

- Investment income on restricted funds is recorded as revenue of the appropriate fund, as restrictions mandate, when reasonable assurance exists regarding measurement and collectability.

Investment Income (No Corresponding Restricted Fund):

- Investment income earned on contributions restricted for purposes other than one of the established Restricted Fund types is recorded in the General Fund when reasonable assurance exists regarding measurement and collectability. .
- If the investment income is restricted for expenditures of one or more future periods, it is deferred and recorded as revenue in the same period or periods as the related expenses are recorded.

Real Estate Income (Corresponding Restricted Fund):

- Real estate income on restricted funds is recorded as revenue of the appropriate fund in the period earned, as restrictions mandate.
- Real estate income earned but not received is accrued in the appropriate fund as restrictions mandate.

Real Estate Income (No Corresponding Restricted Fund):

- Real estate income on funds restricted for purposes other than one of the established Restricted Fund types is recorded in the General Fund in the period earned.
- Real estate income earned but not received is accrued in the appropriate fund as restrictions mandate.

- If the real estate income is restricted for expenditures of one of more future periods, it is deferred and recorded as revenue in the same period or periods as the related expenses are recorded.

Miscellaneous Income (Corresponding Restricted Fund):

- Miscellaneous income on restricted funds is recorded as revenue of the appropriate fund in the period earned, as restrictions mandate.
- Miscellaneous income earned but not received is accrued in the appropriate fund as restrictions mandate.

Miscellaneous Income (No Corresponding Restricted Fund):

- Miscellaneous income on funds restricted for purposes other than one of the established Restricted Fund types is recorded in the General Fund in the period earned.
- Miscellaneous income earned but not received is accrued in the appropriate fund as restrictions mandate.
- If the miscellaneous income is restricted for expenditures of one of more future periods, it is deferred and recorded as revenue in the same period or periods as the related expenses are recorded.