

Kennesaw State Research and Service Foundation, Inc.

Policies and Procedures Manual

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

TABLE OF CONTENTS

INTRODUCTION	11
FREQUENTLY ASKED QUESTIONS	13
GENERAL POLICIES	17
ORGANIZATIONAL STRUCTURE.....	17
The Role of the Board of Directors	17
The Roles of the Chief Operating Officer and Staff	17
ACCOUNTING AND OPERATIONS DEPARTMENT OVERVIEW	19
Organization	19
Responsibilities	19
Standards for Financial Management Systems (Federal Government Grants)	19
BUSINESS CONDUCT	19
Practice of Ethical Behavior.....	19
Compliance with Laws, Regulations, and Organization Policies	19
CONFLICTS OF INTEREST	23
Introduction.....	23
Disclosure Requirements	23
Resolution of Conflicts of Interest.....	23
POLICY ON SUSPECTED MISCONDUCT	24
Introduction.....	24
Whistw 0.1nNDD002 Tw0 g-0.002 Tc 0.004.Tw.T.*[20]-4.(S.F.)-1 (L)-1 (I)-4 (CT)-1 (S)-5 (O)-4 (F)-1	

Introduction.....	65
Definition of Lobbying Activities.....	65
Segregation of Lobbying Expenditures.....	65
Lobbying Election	66
CHARGING OF COSTS TO FEDERAL AWARDS	67
Overview	67
Segregating Unallowable from Allowable Costs	67
Criteria for Allowability	67
Direct Costs.....	70
NSF Participant Support Costs.....	70
Indirect Costs	71
Indirect Cost Rate.....	71
Accounting for Specific Elements of Cost.....	72
ACCOUNTS PAYABLE MANAGEMENT.....	73
Overst Rat..(N)-20w()Tj0.002 Tc 4.172 Tw 0.27 0 Td(.....)Tj(.....)TjEM	

Control Grid – Purchasing and Disbursements	82
CREDIT CARDS	83
Issuance of Corporate Credit Cards	83

INTANGIBLE ASSETS	96
Acquisition of Intangible Assets.....	96
Accounting for Intangible Assets.....	96
Amortization.....	96
ASSET IMPAIRMENTS	98
Policy.....	98
FAIR VALUE ACCOUNTING	99
Scope.....	99
Disclosures.....	99
<i>POLICIES PERTAINING TO LIABILITY AND NET ASSET ACCOUNTS</i>	<i>100</i>
ACCRUED LIABILITIES	100
Identification of Liabilities.....	100
Accrued Leave.....	100
INCOME TAXES PAYABLE	101
Accrual of Income Taxes.....	101
Income Tax Positions.....	101
NOTES PAYABLE	103
General Policy.....	103
Recordkeeping.....	103
Accounting and Classification.....	103
Non-Interest-Bearing Notes Payable.....	103
CONDITIONAL ASSET RETIREMENT OBLIGATIONS	105
Scope and Application.....	105
Accounting Treatment.....	105
NET ASSETS	106
Classification of Net Assets.....	106
Reclassification from Net Assets With Donor Restrictions to Without Restrictions.....	106
Reclassification from Net Assets Without Donor Restrictions to With Restrictions.....	106
Disclosures.....	107
iAT 2.....	1(106)Tj EMC /Span <</MCID 101 >>BDC

GOVERNMENT RETURNS	112
Overview	112
Filing of Returns	112
Review of Form 990 by Board of Directors.....	112
Public Access to Information Returns.....	112
 TRANSACTIONS WITH INTERESTED PERSONS	 114
Identification of Interested Persons	114
Record of Transactions with Interested Persons	114
 UNRELATED BUSINESS ACTIVITIES	 115
Identification and Classification	115
Allocation of Expenses to Unrelated Activities.....	115
Reporting.....	115
 <i>FINANCIAL MANAGEMENT POLICIES.....</i>	 <i>116</i>
 BUDGETING	 116
Overview	116
Preparation and Adoption.....	116
Monitoring Performance	116
Budget and Program Revisions (Federal Government Grants).....	116
 ANNUAL AUDIT.....	 117
Role of the Independent Auditor	117
Auditor Independence	117
How Often to Review the Selection of the Auditor.....	118
Selecting an Auditor	118
Preparation for the Annual Audit	119
Concluding the Audit	120
Audit Adjustments.....	120
Internal Control Deficiencies Noted in the Audit	121
Board Communications with the Auditors.....	121
 INSURANCE.....	 123
Overview	123
Coverage Guidelines.....	123
Insurance Definitions	124
 RECORD RETENTION.....	 125
Policy0 Tc 0 Tw ()Tj>BDC 0Tf0 Tc 0 Tw 1.67 0 Td()Tj Tc 0 Tw 17.....	

FEDERAL GOVERNMENT SUBRECIPIENTS 128

PAGE INTENTIONALLY BLANK

The following Policy and Procedures

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 will fund expenses that are directly related to the University's research and scholarship activities. Expenses that are not directly related to these activities, such as administrative costs, travel, and other non-research related expenses, are not eligible for funding. For more information, please contact the KSURSF administrator.

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.

- x 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.
- x Planning Oversight and Support: Oversee and evaluate strategic business plans and to support management in carrying out those plans.
- x 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.
- x Mission: Have the responsibility to review the mission statement periodically for accuracy and validity.
- x Self-Assessment: Evaluate how well the Board is performing, recognize its achievements and reach consensus on which areas need to be improved.
- x ~~any~~ (al)6.002 Tw 1w -3 (i)6 (ng)10 (,)2 (or)7 (c)10 rD(i)6 (v)14 (est)10 (i)6 ()2 (26 (hi)6nd)14 (e

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

- x Leases
- x Insurance

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.

Identifying (gov) compliance with this standard is the responsibility of all employees. (KSURSF)

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;

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

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

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. t32Td(d(e)-6

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.

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:

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 it from its obligation. (o)10 (t)2 (he pr)7 (o)10 10204(m) (2)(a)19

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		

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).

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

- x 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.
- x Unconditional promises to give that are to be 10 (2007 30608 to 109.2110 (as) FTG and C

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 stip(ol)65s2 Tc 0.002 Tw 2.85 0 The

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

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:

K esawrn:

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.

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

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

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

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 .

Th

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:

<u>Amount</u>	<u>Authorized in writing by</u>
Less than <u>\$2,000</u>	Director, Grants & Contracts Accounting
<u>\$2,000</u> - \$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 P	A	B	C	D
-----------	---	---	---	---

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 (\$25 or less) may be accepted with the approval of the Executive Director.

Employee Meals

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)**

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. T

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

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 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

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

KSURSF

Except where otherwise authorized by statute, costs must meet the following general criteria in

(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.

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 Accountin

Preparation of an Invoice for Payment

Prior to any accounts payable being submitted for payment, a package called a “voucher

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

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

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

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.

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 period (h)1096 (ng)

INVESTMENT POLICIES

Introduction

KSURSF treats all assets of the Organization, including those funds that are legally

KSURSF

- 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.

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).

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.

2.

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 originallyhou/ (i)6 -

FAIR VALUE ACCOUNTING

Scope

Throughout this manual, numerous references are made to fair value accounting issues. Examples include the valuation of

POLICIES PERTAINING TO LIABILITY AND NET ASSET ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

The Accounting Dep

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

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

CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Scope and Application

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

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

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

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.

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:

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 _____ments of
Organization to agree (esn)10 (o)10 27 the final audited financial statements f

The Organization may also receive a list of unadjusted differences (or passed a
receives such a list, KSURSF shall make any necessary adjusti journal entries

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.

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:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Comprehensive Liability	\$1,000,000
Automobiles for Employees, Volunteers or Escorts	\$1,000,000

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:

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.

- (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:

(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.