

Winthrop University Policies

ISSUED: 10/2004

The University's most significant accounting policies are described below.

FINANCIAL STATEMENTS

The financial statements of Winthrop University are prepared on an accrual basis in accordance with generally accepted accounting principles outlined by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants audit guide, and guidelines suggested by the National Association of College and University Business Officers. The statements include The Winthrop University Foundation and Winthrop University Real Estate Foundation financial operations for which separate records are also maintained and reported separately in accordance with generally accepted accounting principles issued by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The fiscal year ending on June 30th is used for financial reporting.

UNIVERSITY FUNDS

University funds subject to fund accounting and University control are defined as monies received from any University funding source including, but not limited to: county, state, and federal appropriations; grants; tuition; fees; gifts; and auxiliary services income. Restricted funds may only be used in accordance with the purposes established by the external source of funds. Unrestricted funds may only be used as designated by the Budget Plan approved by the Board of Trustees.

FUND ACCOUNTING

The accounts of the University are maintained in accordance with the principles of "fund accounting." Resources are classified for accounting and reporting purposes into fund groups that characterize the sources of revenue and specific activities or objectives. Separate accounts are maintained for each fund, and transfers between funds must comply with Board Policy.

To implement the principles of fund accounting, the University has established a Chart of Accounts (COA). The COA includes codes that identify the source, purpose, and any restrictions on use of funds, reporting requirements, and how funds are to be spent. Departments are responsible for observing the principles of fund accounting when recommending revisions to their portion of the COA. Departments are also responsible to record adequate descriptions of transactions in accordance with auditors' requirements. The Budget Office is responsible for reviewing departmental recommendations and for maintaining the COA for non-grant accounts. Grant accounts are maintained by the Office of Sponsored Programs and Research (SPAR).

All financial transactions are recorded and reported by fund group. Major fund groups may be restricted or unrestricted and are as follows:

- **Current unrestricted funds** - Funds over which the University retains control to use in achieving its mission, including instruction, research, public service and general supporting activities.
- **Current restricted funds** - Operating funds that may be utilized only in accordance with the purpose established by the external source of funds.
- **Loan funds** - Funds provided by the federal government, the State of South Carolina, and private donors for student loans.
- **Endowment funds** - Funds received from donors that, as a condition of the gift, generally require the maintenance of principal.
- **Plant funds** - Funds to be used for acquisition of physical properties for institutional purposes but unexpended at the date of financial statement; funds set aside for renewal and replacement of institutional properties; funds set aside for debt service charges and for retirement of indebtedness related to institutional properties; funded depreciation; and funds invested in institutional properties, less accumulated depreciation.
- **Agency funds** - Funds held in trust by the University but owned by outside entities (e.g., student organizations).

ENCUMBRANCE

Funds are encumbered when a legally binding obligation is incurred. Recording of encumbrances typically occurs when a valid internal or external purchase order or travel authorization with advanced funds has been prepared and entered into the accounting system.

DEPRECIATION AND CAPITALIZATION

Capital assets excluding land and collections are depreciated over their estimated useful lives using the straight-line method. Depreciation expense and accumulated depreciation are reflected in the plant funds.

The capitalization threshold for purchased or donated equipment is \$5,000 with a useful life longer than 1 year. Donated property is recorded at estimated or appraised value.

Winthrop University Procedures

AUDIT REQUIREMENTS

The University is subject to an independent audit each year in which the examination of the University's financial statements is conducted by an independent accounting firm and a compliance examination for all Federal programs under the provisions of OMB circular A-133 is conducted. Periodic audits may also be conducted by the Internal Revenue Service, Office of the Legislative Audit Council, and granting agencies.

Completion of these requirements is met by:

- Compliance with the annual closing schedule;
- An understandable chart of account structure;
- Classification of transactions to accounts based on benefit, matching of costs to revenue and;
- Compliance with capitalization and depreciation procedures.

ANNUAL CLOSING

The year-end closing schedule is used to insure proper and timely completion of the University's financial statement.

ESTABLISHING A NEW ACCOUNT

Special information: New Accounts should be limited to those activities which require separate budget establishment, accountability, and reporting of actual and budgeted results.

1. Complete an Organization Request form according to the form instructions.

CHARGING AND CREDITING TRANSACTIONS THROUGHOUT THE YEAR

1. Expense documents should be charged to the Department which benefits from the expense.
2. If a budget line is not set up to receive the amount, the appropriate budget line(s) need to be established. If there is insufficient budget in an existing budget line, the Budget Office must be contacted.
3. Revenues should be credited to the Department which absorbed the expenses in order to match revenues to expenses.
4. Balance sheet transactions and revenue corrections made by Journal Entries (JE) must have descriptive information sufficient to enable Accounting (non-sponsored funds) or SPAR (sponsored funds) to approve the document for posting. Please contact a member of the Accounting Office for assistance.
5. JE transfers represent permanent movements of cash from one Fund Group or Department to another Fund Group. All transfers must be justified and have prior

approval by Accounting or SPAR and must include in the transfer request an analysis of the rationale of the transfer. Please contact a member of the Accounting Office for assistance.

ACCOUNTING FOR ENCUMBRANCES

Obligations for future payments are recorded with encumbering transactions: Requisitions, Purchase Orders and Travel Authorizations. These transactions will reduce the department's allowable spending budget by the amount of the encumbrance.

ACCOUNTING FOR CAPITAL ASSETS

1. Capital assets are identified based on Object coding of transactions throughout the year and analyzed by Accounting for capitalization.
2. Capital assets have varying controls depending on risk of loss and pilferage as follows:
 - a) **Land purchases and disposals** need to be approved by the State of South Carolina. Land is not depreciated. Disposals are accounted for when specific parcels are sold, gifted, or abandoned.
 - b) **Initial acquisition and construction costs of new buildings, additions, and renovations** which extends the service life of old buildings are capitalized as a plant asset. Project accounting is used to accumulate these costs in a construction in progress account until the building is available for service. These costs are then added to the building account in total and depreciation is calculated using a full year convention, with a useful life based on type of construction.

ACCOUNTS RECEIVABLE

Accounts receivable normally occur as the result of the sale of goods or services (printing, conferences).

1. Establish and maintain a record of the accounts receivable. [Individual charges reflecting invoice number (if applicable), date, amount, customer name, address, and description of charge, and any necessary supporting documentation.]

If invoice adjustments are made, record justification and obtain approval (if needed) according to collegiate procedures.

2. Notify the customer of the amount due. This may be accomplished with a bill, letter, or any method established by the University. Student Services is available to assist in determining the method.

3. Record receipt of payments from the customer and include the date, amount, and invoice number, if applicable.
4. Collect overdue accounts by including dollar amounts and age of past due accounts to write-off.
5. Evaluate outstanding receivables for collectability (allowance for uncollectable accounts or a sum set aside to cover uncollectable amounts).
6. Prepare an analysis by the following categories:
 - outstanding less than 90 days
 - outstanding 3 to 6 months
 - outstanding 6 months to one year
 - outstanding one year and older
7. Make the necessary receivables adjustments for the uncollectible receivables.