

DEFERRED REVENUE PROCEDURE

This procedure is governed by its parent policy. Questions regarding this procedure are to be directed to the identified Procedure Administrator.

Category:	Financial/Administrative
Parent Policy:	B32
Approval Date:	April 15, 2021
Effective Date:	April 15, 2021
Procedure Owner:	Chief Financial Officer

Overview:	To provide a clear and standardized approach for the recording and reporting of deferred revenue received by Olds College.
Procedures:	<p>Recording and reporting of deferred revenue consists of initiation, management, and closing lifecycle stages. Each life cycle stage is described below:</p> <p>1. Initiate</p> <p>1.1 Funding Agreements</p> <p>When external stipulations have been agreed upon with the Contributor, externally restricted contributions received by Olds College must have a Funding Agreement outlining the agreed upon stipulations.</p> <p>Externally restricted contributions for an established designated purpose, without any further stipulations, are excluded from the requirement to have a Funding Agreement.</p> <p>All Funding Agreements must adhere to:</p> <ul style="list-style-type: none"> ● A41 Gift Acceptance policy and procedure ● B30 Contract Management policy and procedure <p>1.2 Setup in the accounting system of the College</p> <p>Upon signing of the Funding Agreement , the required setup in the accounting system is initiated by the Contract Owner in a timely manner for any codes not yet set up including:</p> <ul style="list-style-type: none"> ● customer setup for the Contributor with Accounts Receivable ● the setup of the required chartfields and chartfield coding strings for the

funding source.

The Account Receivable is recorded as soon as funds become owed to the College.

1.3 Funding Stipulation Documentation

The Contract Owner must ensure that funding restrictions are documented in a common location so that:

- projects can be defined at a granular enough level to relate the projects to the funding source restrictions;
- all projects for which revenue is recognized against the funding source meet the required restrictions;
- all stakeholders have access to the required information.

2. Management

2.1 Budget Management

A restricted project budget for each fund that is separate from the board approved budget is maintained by Business Services and kept current as changes to projects and funding sources occur.

The restricted project budget will include all project expenses and the corresponding funding sources that will be used to fund the projects.

The Contract Owner must approve that a project can be funded by their funding source.

Project definitions must be created and communicated by the Project Manager to the Contract Owner to request approval for a funding source.

Projects should be defined at a granular enough level to facilitate

- the matching of project expenses to funding sources, including any funding rules
- reporting requirements.

2.2 Project Accounting

- Authority to spend will be granted based on the restricted project budget.
- The Project Manager is responsible for setting up the chartfields and chartfield coding strings for the project.
- For projects that require an associated funding source, a coding string that includes both the funding source and a project number will be initiated by the Project Manager.
- The Operations Accountant will allocate project overhead balances

regularly (normally at month end).

- If there are expenses incurred for the period for which revenue has not been recognized, the Project Manager is responsible to have reasonable assurance that the deficit balance will be funded by year end.
- Funding rules for a project will be established by the Project Manager and communicated to the Operations Accountant.
- The Project Manager must ensure that all expenses coded to the project must meet the project definition for the project.
- The Operations Accountant will perform an annual review of all Contributor surpluses to ensure that surplus funds are allocated to the Contributor or applicable project based on Contributor requirements.

2.3 Monthly Revenue Recognition

- The Operations Accountant will prepare the revenue recognition entries at month end based on the funding rules.
- Changing the funding sources used to fund projects is discouraged. Changes to funding sources in a prior year should be avoided.
- Revenue will be recognized for all expenses incurred in the period with an exception for extenuating circumstances.
- The Controller will approve all revenue recognition entries.
- The Controller must monitor deficit project balances at month end and follow up significant deficits with the Operations Accountant and if necessary with the Project Manager.

2.4 Reporting

The delivery of accurate, timely and complete reporting required under all Funding Agreement is the responsibility of the Contract Owner with the support of the Operations Accountant.

3.0 Close

The Contract Owner must complete the **Funding Source Completion Checklist** available in the workflow management system prior to permanently closing any codes related to the funding source.

The Project Manager must complete the **Restricted Project Completion Checklist** available in the workflow management system prior to permanently closing any codes related to the project.

Definitions:

Funding Source - a source of funds for the College that has an associated revenue generating contract.

- The establishment of a funding source is driven by the need to be accountable to the Contributor.

- Internal funding sources are closed to net assets at the end of each fiscal year.
- External funding sources remain from year to year until they are spent.

Project - a unique identifier of an event or activity that has a designated funding source or sources.

- A project is attached to a single Fund.
- A project includes all expenses attached to that event or activity.
- The funding rules for the project must match the funding rules for all related funding sources.
- All expenses charged to a project must match the funding rules for the project.

Contributor - includes a grantor, donor, customer or any other contributor of an externally restricted contribution.

Funding Rules - The funding stipulations as outlined in the revenue generating contract stating specifics around the budget and types of expenses that the funding sources will cover.

Project Definition - Consists of the explicit details of a project such as; what the project is, how much the project will cost, who will be funding the project, who will be overseeing the project, the risks/costs (if any) to the college, the timing of the project (anticipated start & end date), and details as to how the project fits within Olds College strategic plan.

Contract/Budget Owner - the individual(s) accountable for contract delivery and whose budget will pay for the contract costs or receive the funds associated with the contract

Project Manager - the budget owner of the department that the project is managed within.

Related Information:

[A23 Fraud and Irregularities Policy](#)
[A41 Gift Acceptance Policy](#)
 B30 Contract Management Policy
[B100 Signing Authority for Contracts and Obligations Policy](#)
 Deferred Revenue RACI Chart

Review Period:

1 Year initially, followed by 3 year review

Revision History:

April 2021: New