
WVU POLICY

DIVISION OF FINANCE

REVENUE RECOGNITION AND CLASSIFICATION

1. PURPOSE & SCOPE

- 1.1. **Purpose** – To provide general principles and guidelines for the proper accounting and classification of revenues.
- 1.2. **Scope** – This policy applies to all West Virginia University departments, including those on the regional campuses - Potomac State College of WVU, WVU Institute of Technology, Charleston division of the Robert C. Byrd Health Sciences Center, Jackson's Mill State 4-H Conference Center and Camp, and the WVU Farms – and the West Virginia University Research Corporation.

2. POLICY

- 2.1. **Revenue Recognition** - Revenues are recognized on an accrual basis in accordance with generally accepted accounting principles (GAAP) and requirements of the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned, regardless of the timing of cash receipts. Revenue is considered earned when the University has substantially met its performance obligation (for example, when goods or services are provided). Deposits, advance payments and progress payments for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenues and are recognized as revenue only when the revenue producing event has occurred.

Types of Revenue – Revenues are classified as either operating or non-operating in accordance with GASB requirements.

Operating revenues include:

- A) **Student Tuition & Fees** - The University recognizes revenue from student tuition & fees when earned rather than when paid. Deposits and prepayments of tuition and fees are recorded as unearned revenue until the start of the period for which they are intended. Tuition and fee revenues are recorded net of scholarship discounts and



allowances and allowances for uncollectible student account receivable on the University's financial statements.

Tuition and fee revenue, as presented on the University's financial statements, includes tuition and all fees outlined in the University's published fee schedule (with the exception of auxiliary fees, which are included with Sales and Services of Auxiliary Enterprises). All other fee revenue is included in another revenue category as appropriate.

- B) Sales & Services of Auxiliary Enterprises** - Auxiliary enterprises provide goods and services to students, faculty or staff at a fee directly related to the cost of the goods and services provided. The general public may be served incidentally by some auxiliary units. This revenue category includes revenues derived directly from the operation of auxiliary units and does not include gifts or capital grants and gifts. The University classifies the following activities as auxiliaries: Athletics, Jackson's Mill, Parking, PRT, Mountainlair (Student Union), Student Recreation Center, Housing and Dining (including revenue from public private partnerships and agreements for dining services), and Printing Services. Auxiliary revenues are recognized when earned. Such revenues are recorded net of scholarship discounts and allowances. Prepayments are recorded as unearned revenue.
- C) Grants & Contracts** – Most of the University's federal, state, local and nongovernmental grants and contracts are cost reimbursable (i.e., the University is reimbursed when actual costs are incurred); revenue is recognized based on expenditures incurred. Advance payments on sponsored awards are recorded as unearned revenue until expenditures are incurred or another measurable factor is achieved. Facilities and Administrative expenses associated with research or other activities are also recognized as the expenses for the activity are incurred.
- D) Federal and Local Land Grants** - The University receives appropriations from federal and local agencies for agricultural and forestry research, state agricultural experiment stations and for extension services. Such revenue is classified as restricted operating revenue and is recognized based on expenditures incurred.
- E) Sales & Services of Educational Departments** - Certain University activities generate revenues which relate incidentally to instruction and research. These activities are recorded as sales and services of educational departments. Revenue is recognized when earned, (for example, when goods are delivered or services are rendered).
- F) Other Operating Revenues** - Other operating revenues not included in any of the other categories are classified as other operating revenues. This includes revenue



from leasing of the University's academic bookstores and other miscellaneous operating revenues. Such revenue is also recognized when earned.

Nonoperating revenues include –

- A) State Appropriations** – The University receives appropriations of state general revenue, State lottery proceeds and Insurance Premium Tax revenues through the annual budget digest. The University receives these resources in quarterly allotments on a schedule established by the State Budget Office. The University recognizes revenue as such allotments are received. Revenues from state appropriations are classified as nonoperating based on guidance from GASB.
- B) Gifts** - Monetary gifts are recorded as gift revenue when received. Noncash gifts or gifts-in-kind are recorded as either capital gift revenue or gift revenue at the estimated fair market value as of the date of the gift. For additional information, refer to the Gifts Received Policy.
- C) Investment Income** - Investments are recorded at fair market value, based on quoted market values. The University recognizes changes in fair market value as unrealized gains or losses. The University also records investment income as interest, dividends and realized gains or losses are earned. Losses on investments are classified as contra revenue, reducing investment income.
- D) Payments on Behalf of the University** - Fringe benefits for employees of the University paid on behalf of the University by the State of West Virginia or the WVU Foundation are recorded as payments on behalf when payments are made. For additional information, refer to the Gifts Received Policy.
- E) Federal Pell Grants** – Student financial assistance funds received from the federal government for disbursement to students under the Pell grant program are recognized as funds are disbursed to students and the revenues are considered earned. Due to the University's administrative involvement with the program and because Pell grants are nonexchange transactions, this revenue is classified as nonoperating.
- G) Other Nonoperating Revenues** - Other nonoperating revenues not included in any of the other categories are recorded as other nonoperating revenues. This includes gains or losses on the sale of capital assets and other miscellaneous nonoperating revenues. Losses on the sale of capital assets are classified as contra revenue, reducing other nonoperating revenues. Such revenue is also recognized when earned. Other nonoperating revenues are recorded net of other nonoperating expenses on the University's financial statements.



2.2 Capital Grants and Gifts

If the primary purpose of a grant or contract is the acquisition or construction of equipment, buildings or other capital assets, the revenue is classified as capital grants and gifts. These revenues are reported after “income (loss) before other revenues, expenses, gains or losses” on the Statement of Revenues, Expenses and Changes in Net Position. If the grant is cost reimbursable, revenues are recognized as expenditures are incurred. Advance payments are recorded as unearned revenue until expenditures are incurred. Capital gifts are recorded as received. For additional information, refer to the Gifts Received Policy.

2.3 Internal Sales

Internal sales transactions should be eliminated for reporting on the University’s Statement of Revenues, Expenses and Changes in Net Position. In other words, revenues and expenses from internal sales should not be grossed up and should be reported net in the University’s financial system.

Contra codes (line items and departmental activities in the University’s current system) should be used for recording all material internal sales carried on in the normal course of operations.

Applicable accounting guidance: Governmental Accounting Standards Board Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, as amended, and No. 35, “Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities”, as amended, and other guidance issued by GASB.

Other applicable accounting guidance includes:

- GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, as amended.
- GASB Statement No. 24, “Accounting and Financial Reporting for Certain Grants and Other Financial Assistance”, as amended.
- GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”, as amended.
- Advisory Report 2023-01, “Public Institutions: Accounting for and Reporting Financial Aid as a Discount”, National Association of College and University Business Officers (NACUBO).
- “Financial Accounting and Reporting Manual for Higher Education”, NACUBO.
- Other guidance from GASB including implementation guides.



3. DEFINITIONS

- 3.1. **Revenue** – Inflows or other enhancements of an entity’s assets or settlement of an entity’s liabilities (or a combination of both) that are applicable to the current reporting period from delivering or producing goods, rendering services, or other activities that constitute an entity’s ongoing major or central operations.
- 3.2. **Internal Sales** - Sales of goods or services between departments of the University (for example, between an auxiliary and an academic department). Examples include facilities rental, parking and printing services.
- 3.3. **Nonexchange Transaction** – A transaction in which either party gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange.

4. RESPONSIBILITIES

- 4.1. **Interpretation** – The responsibility for interpretation of this policy rests with the Senior Associate Vice President for the Division of Finance or designee.
- 4.2. **Application** – The responsibility for application of this policy rests with the Institutional Accounting, Reporting and Analysis.
- 4.3. **Procedure Development** – The responsibility for procedure development of this policy rests with Institutional Accounting, Reporting and Analysis.

5. AUTHORITY & REFERENCES

- 5.1. WVU Board of Governors Finance & Administration Rule 5.1 Approvals and Delegation of Authority for Financial and Administrative Matters (under consideration for approval and out for public comment).

6. SUPERCEDES



- 6.1. This policy supersedes all other Revenue Recognition and Classification policies, procedures or guidelines at the University to the extent those documents are inconsistent with and fall under the scope of this policy.

Signature: Barbara WeissDate: Jul 10, 2024

Barbara Weiss

Senior Associate Vice President – Division of Finance








FIN-IARA-9 Revenue Recognition and Classification

Final Audit Report

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