

Accounting for Grants

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University-level Policies and Procedures

Please use this accounting guide in connection with university-level policies and procedures for [Sponsored Projects Administration/Research Administration](#).

Facilities & Administration Costs and Recovery

When Grants are direct-charged for allowable expenses, the accounting system automatically performs what is known as “award cost processing”. This process calculates the facilities and administration (F&A) overhead charge, as applicable, and books that expense directly to the Grant. F&A expense is charged as a debit using ledger account 91017 (Allocation Expense – F&A Indirect Costs) and carries the spend category of the original direct charge to allow for grant-level reconciliation.

The offset of F&A expense is the F&A credit or recovery. These credits are booked centrally at the Planning Unit level (as applicable) or within the central University General unit.

The desired behavior is for the F&A credits to post in one distinct COA combination for each planning unit. In Workday, this accounting outcome is accomplished in two distinct steps:

1. Original F&A process books the credit to the COA designated by each applicable planning unit in the “revenue allocation profile”:
 - This contains the worktags of: Yale Designated, Cost Center, Program, Project, Fund and a mandatory Assignee of ZZZ1004 (Department Chair).
 - Also contains the Grant from the original direct charge
 - F&A credit is charged as a credit using ledger account 51017 (Allocation Credit – F&A Indirect Costs) and revenue category RC086.
 - If a Unit has 3 Grants, there will be 3 separate rows containing F&A credit; the only difference in the COA combination is the Grant number.
2. Month-end Allocation runs to consolidate these credits to one COA combination:

- Debit and credit of this allocation both book to ledger account 51052 (Allocation Credit-Reallocation of System F&A Credits) and revenue category RC108.
- This ledger account (51052) rolls up to the same row in the Statement of Activities (SOA) as ledger account 51017.
- Debit transfers the initial credit off the Grant COA combination; credit transfers the initial credit onto a non-grant COA combination. Net balance at the detailed COA-level is updated accordingly.

High Level Accounting Flow – Department View

This basic example assumes direct charge of Supplies - Research. Note that the ledger account and spend category will vary based on the nature of the direct charge (payroll and non-payroll). All accounting events occur at the time of the original direct charge except for the month-end allocation shown in row “e”.

	Business Event	Accounting Components	Remaining COA
a	Direct Charges	Dr. 81018/SC423 (natural expense)	Grant + remaining related worktags (CC, PG, PJ, ASSN) and FD02 or FD28
b	Revenue Recognition on Directs	Cr. 41000/RC006	Same as “a”
c	Award Cost Processing – books F&A	Dr. 91017/SC423 Cr. 51017/RC086	Dr. Same as “a” Cr. Grant + COA from Revenue Allocation Profile Example - 3 Grants for the unit, credits will be on 3 COA combinations: GR1xxx1.YD000002.CC0549.PG00032.PJ000001.ZZZ1004.FD30 GR1xxx2.YD000002.CC0549.PG00032.PJ000001.ZZZ1004.FD30 GR1xxx3.YD000002.CC0549.PG00032.PJ000001.ZZZ1004.FD30
d	Revenue Recognition on Indirects	Cr. 41000/RC006	Same as “a”
e	Month-end Allocation - Consolidate F&A Credits	Dr. 51052/RC108 Cr. 51052/RC108	Dr. Grant + COA from Revenue Allocation Profile Cr. COA from Revenue Allocation Profile Example – total of the 3 credits from “c” above now consolidated into one COA combination: YD000002.CC0549.PG00032.PJ000001.ZZZ1004.FD30

Prepayments to Subrecipients - Prepaid Expenses

The definition of and policy associated with prepayments to subrecipients is discussed in university procedure [1307 PR.02 Managing Subrecipient Activity Associated with Sponsored Programs](#).

Subrecipient prepayments may be made only with university funds, not sponsored funds. This means that the prepaid expense will be booked to a non-sponsored COA combination (not FD02 or FD28, cost share account is permitted). When the expense is incurred and the subrecipient invoice is received and properly approved in accordance with university policy, a journal entry records the expense and relieves the prepaid balance. Example:

1. Follow procedure 1307 PR.02 (linked above) to request the prepayment:
 - COA is a departmental account – ex: YD000002.CC1234.PG00032.PJ000001.EAB55.
 - Use Spend Category SC658 - Prepaid Expenses.
 - This will post to the asset (balance sheet) ledger account 17008: Prepaid Expenses.
2. Journal Entry
 - Dr. 81030: Services - Subaward Expense / Subaward Expenses (SC217) – Sponsored account (Grant + FD02 or FD28)
 - Cr. 17008: Prepaid Expenses / Prepaid Expenses (SC658) – Non-sponsored account (YD000002.CC1234.PG00032.PJ000001.EAB55)

Revenue Recognition and Deferred Revenue

Most grants are associated with “cost reimbursable” awards. For these grants, sponsored revenue is recognized and posted proportionally as expenses are charged to the grant, regardless of when it is invoiced or when cash is received. This accounting is shown in the section “High Level Accounting Flow – Department View”.

When the revenue is recognized the overall accounting is:

- Dr. Unbilled Receivables (LA 11016 for federal and non-federal grants; other accounts exist for clinical trials (LA 11017) and other unbilled receivables (LA 11001))
- Cr. Sponsored Agreement Income (LA 41000)

OSP bills the sponsor through the accounting system’s Customer Invoice process, which creates the following accounting:

- Dr. Receivables (LA 11002 for federal and non-federal grants; other accounts exist for clinical trials (LA 11014) and other receivables (various ledger accounts))
- Cr. Unbilled Receivables

Other grants are defined as “fixed price” awards. These grants may show more expenses than revenue (or vice versa) depending on when cash is received from the sponsor. The resulting net income should always resolve itself as cash is received per the award agreement to cover expenses. This may cross fiscal years. Keep in mind that if there is a true overdraft (no additional funding is forthcoming) at award end, these costs must be cleared from the grant. Please see the “Accounting at Award/Grant Closeout” section.

For fixed price awards, cash received prior to being matched with incurred expenses is not yet “earned” from an accounting perspective. The amount of cumulative billing in excess of incurred costs is deferred

(a liability on the balance sheet), as for accounting purposes the right to bill does not necessarily equate to revenue earned. At the end of each month in Workday, an allocation is run which measures costs incurred on fixed price awards, and moves an equal amount of revenue from the deferred revenue account to sponsored award income. Large positive or negative fund balances at the award level should also be looked at to determine the reason for the imbalance.

Program Income

The definition of and policy associated with program income is discussed in university policy [1308 – Program Income Associated with Sponsored Projects](#). Program income is ultimately recorded to federal or non-federal grants (Grant + FD02 or FD28) using ledger account 81052: G&C Program Income and spend category G&C Program Income (SC539). Due to system controls that prevent unauthorized deposits or non-sponsored invoicing to federal and non-federal grants, recording program income is a two-step process.

Cash Sale – Both Steps Performed in Department:

1. Perform a cash sale:
 - Cash sales may not be made to Grants.
 - Create a cash sale to a non-sponsored, non-grant COA combination and use revenue category RC083 – G&C Program Income Received.
 - This will post to a holding ledger account 20037: G&C Program Income Holding Account.
2. Create a manual journal entry to move from the non-sponsored to the sponsored account and relieve the holding account:
 - Dr. 20037: G&C Program Income Holding Account / G&C Program Income Received (RC083) – Non-sponsored account
 - Cr. 81052: G&C Program Income / G&C Program Income (SC539) – Sponsored account (Grant + FD02 or FD28)

Non-Sponsored Customer Invoice – Shared between Department and OSP:

1. Department – Send a request for Non-sponsored invoice using the standard template to ysminvoicing@yale.edu. Requirements:
 - Invoice may not be created using a Grant worktag.
 - COA combination must be a central OSP account YD000001.CC0052.PG00032.PJ000001.FD01
 - Use revenue category RC083 – G&C Program Income Received. This will post to a holding ledger account 20037: G&C Program Income Holding Account.
 - Invoice memo must reference the Grant number and reference program income so that central invoicing is aware and can prepare the invoice properly.
2. YSM Central Invoicing - Create a non-sponsored customer invoice:
 - Ensure that all the requirements above are present in the invoice preparation.
 - Invoice will use the “Account Posting” worktag = “AR – Other”.
3. OSP Business Office - When cash is received, create a manual journal entry to move from the non-sponsored to the sponsored account and relieve the holding account:
 - Dr. 20037: G&C Program Income Holding Account / G&C Program Income Received (RC083) – YD000001.CC0052.PG00032.PJ000001.FD01

Cr. 81052: G&C Program Income / G&C Program Income (SC539) – Sponsored account (Grant + FD02 or FD28)

Interest on Non-Federal Grants & Contracts

Certain non-federal sponsored agreements contain a requirement that any interest earned on sponsor funds held by the university be added as additional spendable dollars on that award. When this condition exists, the OSP invoicing and accounts receivable staff monitors the account and performs the following two actions:

1. Increase the funded amount on the award / award line.
2. Create a journal entry to move interest from the central investment account to the grant. The journal entry is:

Dr. 45000 / RC052 – central investment account

Cr. 41003: Interest on Non-Federal Grants / Interest on Non-Federal Grants (SC760) – Sponsored account (Grant + FD02 or FD28)

Accounting at Award/Grant Closeout

Please see OSP policy [1301 \(Sponsored Projects Financial Reporting and Financial Closeout\)](#) and related documents.

Where a grant is overspent at closeout, excess costs must be removed. This process is managed by the cognizant OSP Accountant in connection with the department business office and/or Grant Manager. In almost all circumstances, expenses must be reclassified to a non-sponsored account using the natural expense:

- Payroll, fringe, and related cost allocations – Must be moved using a payroll accounting adjustment (PAA). If effort certification is in process, a PAA can be done from within the effort certification.
- Non-salary expenses:
 - Supplier Invoices and Expense Reports – use the [Accounting Corrections functionality](#).
 - Other – process a reclassification journal entry using the original expense ledger account and spend category on both the debit and credit. Example:
 - Dr. 81018: Supplies and Materials Expense / Supplies - Research (SC423) – Non-sponsored account
 - Cr. 81018: Supplies and Materials Expense / Supplies - Research (SC423) – Sponsored account (Grant + FD02 or FD28)
- Allocations/Assessments – Any ledger account or spend category referencing “allocations” or “assessments” should not be reclassified by OSP or departments. Please consult with General Accounting at controller.genacct@yale.edu.

Facilities and administrative (F&A) costs will automatically be updated.

In limited circumstances, there will be small balances that cannot be removed using the natural expense. In these circumstances, the OSP Accountant will clear the balance as follows:

- Reclassification entry using LA 81091/SC754 (G&C Award and Grant Closeout – OSP ONLY) – same ledger account and spend category on both the debit and credit. This spend category will generate F&A costs, so the dollar values must be calculated to ensure the proper total amount (direct and indirect costs) is removed from the grant. The offset is generally a departmental account.
- Remaining pennies or dollars – remove by reclassification entry using LA 81091/SC759 (G&C Award and Grant Closeout – no burden – OSP ONLY) – same ledger account and spend category on both the debit and credit. This spend category will not generate F&A costs. The offset is generally a central OSP account. Can also be used for remaining credits of pennies/dollars from rounding only. Not used for transfers of “residual balances”.

Some Federal or non-Federal grants include provisions where residual balances may be retained by the university. In these cases, OSP will move that residual balance with a manual journal entry as follows:

Dr. 92026: Transfer of Residual Grant Balances – OSP ONLY/SC762 – Sponsored account (Grant + FD02 or FD28)

Cr. 92026: Transfer of Residual Grant Balances – OSP ONLY/SC762 – Non-sponsored account