
1117 REVENUE RECOGNITION

Effective: October 2006
Revised: May 2015
Last Reviewed: April 2017
Resp. Office: Comptroller
Approval: Comptroller

PURPOSE:

To define revenue recognition and to provide guidelines for recognizing revenue in accordance with generally accepted accounting principles (GAAP).

POLICY

REVENUE RECOGNITION

Revenue should be recognized based on accrual accounting in accordance with GAAP. Revenue should be recognized when it has been earned, regardless of the timing of cash receipts. Revenue is considered earned when the University has substantially met its obligation to be entitled to the benefits represented by the revenue. Deposits (whether refundable or non-refundable), early payments and progress payments should not be recognized as revenue until the revenue producing event has occurred.

Deferred revenue

Deferred revenue generally results when cash is received in advance of revenue being earned. Deferred revenue is a liability on the Statement of Position until it is earned. Once earned, the liability is reduced and revenue is recorded in the Statement of Activities.

Accruals and cutoff

Revenue should be recognized in the period in which it was earned regardless of the timing of billing. At the end of each month, revenue that has been earned but not billed or received should be accrued and recorded as revenue in that month. An asset (accounts receivable) is recognized on the Statement of Position for revenue that has been earned, but not yet billed, or revenue that has been billed or is billable, but has not yet been earned.

Invoicing and cash receipt

Revenue recognition, invoice processing and cash receipts may or may not occur at the same time. Revenue should be recognized when earned, while invoicing and cash receipt may occur independently of the earning process. For example, cash may be received prior to the performance of a service and/or encumbrance of any expense. When cash is received in advance, cash is recorded and a deferred revenue liability is recorded. Revenue is not recognized until the performance of the service or sale is complete.

Conversely, if a service has been completed, revenue should be recorded whether or not billing has occurred or payment has been received.

STUDENT INCOME

Student income includes tuition earned for the graduate and undergraduate programs as well as for continuing education and executive education programs; mandatory student fees; and revenue earned from student board and lodging. Tuition and fees are reported as Tuition and fees, net and student board and lodging are reported as Sales and services of auxiliary enterprises on the Statement of Activities.

Tuition revenue is recognized over the course of the term for which it is earned, regardless of when it is received. Tuition related to the Fall semester is recognized during July through December, Spring semester tuition is recognized during January through June; Summer I semester is recognized during May and June; and Summer II semester is recognized during July and August. Fee revenue, including General fees, Tech fees and Activities fees, relate to services provided by the University over the course of the semester and, similar to tuition, are recognized over the course of the term to which they apply. Certain fees, however, charged for supplies provided to the student are recognized when billed to the student, which approximates when the student receives the supplies and thus when revenue is earned.

Student board and lodging is recognized during the period in which students reside on campus and make use of campus residences and dining. Board and lodging revenue related to the Fall semester is recognized during September through December, Spring semester board and lodging is recognized during January through April. No board and lodging is recognized during the Summer terms.

Student income received under the University's pre-payment plans is reported as Deferred revenue on the Statement of Position until such time that the revenue has been earned.

COMMONWEALTH APPROPRIATIONS

Commonwealth appropriations represent funds provided by the Commonwealth of Pennsylvania for the support and maintenance of the University. The amount of funding to be received each year is determined and approved by the State legislature. As the current year appropriation is not linked to current University spending, that is, it is not cost reimbursement nor based on events or milestones, Commonwealth appropriations are recognized monthly on a straight-line basis over the course of the fiscal year.

SPONSORED PROGRAMS

Sponsored program revenue includes direct revenue and indirect cost recovery earned under grants from governmental and private sponsors. Sponsored program revenues received by the University are primarily cost reimbursement grants and contracts. These contracts reimburse expenses that have already been incurred and revenues are directly related to the costs incurred. Sponsored program revenue is recognized as expenses are incurred. Adjustments to expense under such programs result in an adjustment to revenue. Payments received in advanced from sponsors are reported as Deferred income on the Statement of Position until such time as the revenue has been earned, which is when the expense is incurred.

Refer also to Financial Policy section 2100 Sponsored Projects.

CONTRIBUTIONS

Contributions are unconditional transfers of cash or other assets to the University or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner. Other assets include securities, land, buildings, use of facilities or utilities, material and supplies, intangible assets, services and unconditional promises to give those items in the future.

Contributions, including unconditional promises to donate, are recognized as revenue in the period received. Unconditional promises to donate, or pledges, are recognized at their estimated net present value, net of an allowance for uncollectible amounts and are classified in the appropriate net asset category. Pledges and contributions of cash and other assets designated for the acquisition of long-lived assets and long-term investment are reported with Non-operating revenue, net gains, reclassifications and other on the Statement of Activities.

Contributions subject to donor-imposed restrictions that will be met by actions of the University and/or the passage of time are included in temporarily restricted net assets on the Statement of Activities. Contributions with donor-imposed restrictions that require the original contribution be maintained in perpetuity by the University are included in permanently restricted net assets on the Statement of Activities.

Refer also to Financial Policy section 2200 Gifts

SALES AND SERVICES OF AUXILIARY ENTERPRISES

Sales and Services of auxiliary enterprises is limited to revenues derived directly from the operation of auxiliary enterprises. Auxiliary enterprises include residence halls, food services, intercollegiate athletics, college unions, college stores, and services such as copy centers, day care centers, barber shops, beauty parlors, and movie theatres.

Sales and services revenue is recognized when earned, that is, at the time goods or services are provided.

Refer also to Financial Policy section 2000 Sales and Services

OTHER INCOME

Other income includes revenues that are related incidentally to the conduct of instruction, research, and public service and revenues of activities that exist to provide instructional and laboratory experience for students and that incidentally create goods and services that may be sold to students, faculty, staff and the general public, including sales of scientific and literary publications, testing services, and health clinics that are not part of a hospital. Other income revenue is recognized when earned, that is, at the time goods or services are provided.

Refer also to Financial Policy section 2000 Sales and Services

INDEPENDENT OPERATIONS

Independent operations revenue is revenue generated by separately organized operations owned or controlled by the University that are unrelated to, or independent of, the University's mission.

Independent operations revenue is recognized when earned, that is, at the time goods or services are provided.