**EXHIBIT 1: EVALUATION QUESTIONNAIRE FOR ASSESSING THE UNIVERSITY’S CONTINUING INVOLVEMENT IN THE SALE OF EXISTING RECEIVABLES**

A significant aspect of the assessment is the degree to which the University retains or relinquishes to the transferee control over the existing receivables. A transaction in which the University receives or is entitled to proceeds in exchange for the future cash flows from existing receivables should be reported as a sale if the University’s continuing involvement with these receivables is effectively terminated (¶6).

The determination of whether the University’s continuing involvement is effectively terminated is dependent upon an evaluation of the following criteria. A “yes” answer to any one of the questions indicates the University’s continuing involvement is not effectively terminated and, therefore, the transaction should not be reported as a sale.

**Transaction Assessed:**

**Conclusion:**

|  | **Yes/No** |  | **Source Document/****Specific Reference** |
| --- | --- | --- | --- |
| **Questions 1–3 outline the criteria to determine whether the substance of the transaction is indicative of whether the sale has been substantively consummated.** |  |  |  |
| 1. Is the transferee’s ability to subsequently sell or pledge the receivables significantly limited by the constraints imposed by the University, either in the transfer agreement or through other means? (¶6a) |  |  |  |
| 2. Does the University have the option or ability to unilaterally substitute for or reacquire specific accounts from among the receivables transferred? *Note*: The ability or obligation to substitute for defective accounts, at the option of the transferee, would not violate this criterion. For example, accounts that do not possess the characteristics stipulated in a transfer agreement may be replaced by ones that do possess those traits. In addition, insignificant “clean-up” calls by which the University may reacquire remaining uncollected accounts when the outstanding secured debt reaches a specified minimum balance would likewise not violate this criterion. (¶6b) |  |  |  |
| 3. Is the sale agreement cancellable by either party, including cancellation through payment of a lump sum or transfer of other assets or rights? (¶6c) |  |  |  |
| Questions 4–6 outline the criteria to determine whether the transferee has a separate legal standing from the University.  |  |  |  |
| 4. Is the separate organization’s legal entity the same as the University’s legal entity? (¶7a)  |  |  |  |
| 5. Do the corporate powers of the transferee organization fail to distinguish it as being legally separate from the University? (¶7a)  |  |  |  |
| 6. Do the corporate powers of the transferee organization preclude it from being sued in its own name without recourse to the University, or preclude it from the right to buy or sell, lease or mortgage property without the University’s approval? (¶7a)  |  |  |  |
| **Question 7 outlines the criteria to determine whether the receivables are isolated from the University should it become the subject of a bankruptcy proceeding.**  |  |  |  |
| 7. Do provisions in the transfer agreement (or provided elsewhere in statutes, charters or other governing documents or agreements) fail to protect the transferee from the claims of the University’s creditors? (¶7c)  |  |  |  |
| If “yes” to any one of Questions 1–7, the University has continuing involvement and the transaction must be recorded as a collateralized borrowing, not a true sale of the receivables. If “no” to all of Questions 1–7, continue to assess whether the receivables are isolated from the University. Generally, banking arrangements should eliminate access by the University or its component units to the cash generated by collecting the receivables. Access is eliminated when payments on individual accounts are made directly to a custodial account maintained for the benefit of the transferee. |  |  |  |
| 8. Are payments on individual accounts made through the University (and, presumably, then remitted to the transferee), as opposed to payments on individual accounts made directly to a custodial account maintained for the benefit of the transferee? (¶7b) |
|  |  |  |  |
| If the answer to all of Questions 1–7 and Question 8 is “no,” then the transaction must be reported as a true sale of receivables and not a collateralized borrowing. If the answer to Question 8 is “yes” it tentatively leads to a presumption of a collateralized borrowing that may be mitigated by “no” answers to the following questions. It may be that the University continues to service the accounts, or obligors may misdirect their payments to the University rather than the transferee. In this circumstance, access to the cash generated by collecting the receivables is deemed to be eliminated if all of the answers to the following questions are “no.”  |  |  |  |
| 9. Does the University have an obligation to advance amounts to the transferee before it collects equivalent amounts from the underlying individual accounts? *Note:* The payments to the transferee should be made only from the resources generated by the specific receivables rather than from the University’s own resources. (¶7b(1))  |  |  |  |
| 10. Is the cash collected by the University on behalf of the transferee remitted to the transferee after significant delay? (¶7b(2))  |  |  |  |
| 11. Are earnings on invested collections held by the University instead of passed on to the transferee? (¶7b(2))  |  |  |  |
| 12. Do the University’s general ledger and accounts receivable sub-ledger fail to consider sale proceeds from the transferee as satisfaction of individual accounts? (¶7b(3))  |  |  |  |
| 13. Does the University fail to indicate in its records which accounts have been transferred and which collections pertain to those accounts? (¶7b(3))  |  |  |  |
| If the answers to Questions 1–7 and 9–13 are “no,” notwithstanding the fact that the answer to Question 8 is “yes,” then the transaction must be recorded as a true sale, not as a collateralized borrowing.  |  |  |  |

**Prepared by: Date:**

**Reviewed by: Date:**