**EXHIBIT 2: EVALUATION QUESTIONNAIRE FOR ASSESSING THE UNIVERSITY’S CONTINUING INVOLVEMENT IN FUTURE REVENUES**

A significant aspect of the assessment is the degree to which the University retains or relinquishes to the transferee control over future revenues. A transaction in which the University currently receives or is entitled to proceeds in exchange for future cash flows from future revenues should be reported as a sale if the University’s continuing involvement with these future revenues is effectively terminated (¶8). Note, however, that recognition of the revenue may need to be deferred.

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 1–4 outline the criteria to determine whether the University maintains active involvement in the future generation of revenues exchanged for current proceeds. Active involvement generally requires a substantive action or performance by the University. The University must determine whether the primary, fundamental activity or process that generates specific revenue requires a continuing active involvement (¶9).**  |  |  |  |
| 1. Does the University produce or provide the goods or services that are exchanged for the revenues. (¶9a)  |  |  |  |
| 2. Does the University levy or assess taxes, fees, or charges and can the University directly influence the revenue base or the rate(s) applied to that base to generate the revenues? (¶9b)  |  |  |  |
| 3. Is the University required to submit applications for grants or contributions from other governments, organizations or individuals to obtain the revenues? (¶9c)  |  |  |  |
| Note: This application criterion refers to ongoing requirements that qualify the University to continue to receive grants or contributions in future years, rather than an initial application or qualification process that remains effective without further effort by the University.  |  |  |  |
| 4. Is the University required to meet grant or contribution performance provisions to qualify for those revenues? (¶9d)  |  |  |  |
| **Questions 5–7 outline the criteria to determine whether the substance of the transaction is indicative of whether the sale has been substantively consummated.** |  |  |  |
| 5. Is the transferee’s ability (or the ability of the ultimate holder/owner of the future cash flows) to subsequently sell or pledge the future cash flows significantly limited by constraints imposed by the University, either in the transfer agreement or through other means? (¶8b)  |  |  |  |
| 6. Does the contract, agreement, or other arrangement between the original resource provider (a grantor organization, for example) and the University prohibit the transfer or assignment of those resources? (¶8d)  |  |  |  |
| 7. Is the sale agreement cancellable by either party, including cancellation through payment of a lump sum or transfer of other assets or rights? (¶8e)  |  |  |  |
| If “yes” to any one of Questions 1–7, the University has continuing active involvement and the transaction must be recorded as a collateralized borrowing, not a true sale of the future revenues. |  |  |  |
| If “no” to all of Questions 1–7, continue to assess whether the future revenues 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 future revenues. Access is eliminated when cash collection of future revenues are made directly to a custodial account maintained for the benefit of the transferee. |  |  |  |
| 8. Are cash collections of future revenues made through the University (and, presumably, then remitted to the transferee), as opposed to cash collections of future revenues made directly to a custodial account maintained for the benefit of the transferee? (¶8c)  |  |  |  |
| 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 future revenues 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 collect the future revenues, or obligors may misdirect their payments to the University rather than the transferee. In this circumstance, access to the cash generated by collecting the future revenues 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 future revenues? *Note:* The payments to the transferee should be made only from the resources generated by the specific future revenues 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))  |  |  |  |
| If the answers to Questions 1–7 and 9–10 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. |  |  |  |
| The University may remain associated with specific revenues in ways that do not constitute the primary or fundamental activity that generates the revenues and thus would not be considered to be actively involved in the generation of those revenues. |  |  |  |
| Perform an assessment of the following, although a “yes” answer is informational and not indicative of active involvement. |  |  |  |
| 11. Does the University hold title to revenue-producing assets (for leases, rents or royalty income, for example)? (¶10a)  |  |  |  |
| 12. Does the University own a contractual right to a stream of future revenues? (¶10b)  |  |  |  |
| 13. Does the University maintain an association with the future revenues by retaining the required characteristics of the future revenues in order for the cash to flow? (GASB Statement No. 33 ¶20a)  |  |  |  |
| 14. Does the University maintain an association with the future revenues by meeting time requirements specified by enabling legislation or the provider? (GASB Statement No. 33 ¶20b)  |  |  |  |
| 15. Does the University maintain an association with the future revenues by incurring allowable costs under the applicable programs where the provider offers resources on a reimbursement (“expenditure-driven”) basis? (GASB Statement No. 33 ¶20c)  |  |  |  |
| 16. Does the University maintain an association with the future revenues by meeting a specified action required by the provider of the resources? The provider’s offer of resources is contingent upon a specified action of the recipient and that action has occurred. (For example, the University is required to raise a specific amount of resources from third parties or to dedicate its own resources for a specified purpose and has complied with those requirements.) (GASB Statement No. 33 ¶20d)  |  |  |  |
| 17. Has the University agreed to refrain from specified acts or transactions (e.g., agreeing to non-competition restrictions)? (¶10d)  |  |  |  |

**Prepared by: Date:**

**Reviewed by: Date:**