

Proof of Interest Bearing Account for Princeton University Awards from the State of New Jersey

Princeton University uses a non-interest bearing commercial checking account to manage its deposits, including sponsored funds. Consequently, when federal and/or state sponsors require that interest is earned on advanced payments, Princeton employs a manual offline process to calculate and post interest to affected awards. Below is a shortened narrative of our interest earned process for the purposes of meeting the State of NJ award requirements. Please note this manual process has been approved by Price Waterhouse Coopers, Princeton's external auditing firm.

Interest Earned on Federal and State Funds – Procedures

When federal and state agencies submit advances to Princeton University and these funds are required to be deposited into an interest bearing account, below are the following procedures adhered to:

Effective 6/1/2009, interest attributed to sponsored research projects with advance payments is calculated using the Citigroup three month T-Bill rate that is provided by Princeton University's custodian bank, BNY Mellon. The interest is calculated as follows:

1. Obtain the interest rate from the Princeton University Manager, Investment Administration, Asset Administration. This rate is the Citigroup three month T-Bill rate, which comes from Princeton's custodian bank, BNY Mellon.
2. At the close of each monthly accounting period, take the difference between the unexpended award balance and the accounts receivable balance to determine the cash on hand (COH). If the accounts receivable balance is less than the unexpended award balance, then it is considered an advance and interest must be paid. If the accounts receivables balance is higher than the unexpended award balance, then leave in the negative amount but do not calculate interest on it (i.e. do not offset negative amounts with advances). If the unexpended award balance is a negative amount, then \$0 is used on the monthly interest calculation worksheet.
3. To calculate the average COH for each month, take the COH at one month end (3/31/14) plus the COH at next month (4/30/14) = sum, divide by 2 = average COH for 4/30/14.
4. Multiply the average COH for each month by the monthly interest rate to determine that month's interest, then multiply by the days in the month/divided by 365. Only calculate interest for positive numbers so there is no reduction or offset from total interest due.
5. At end of three-month period, representing a quarter, add the interest for each of the 3 months to calculate the quarter interest and post to sponsored award as interest income.