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6/3/2013
I. THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION BACKGROUND

REFERENCES

Tennessee Nonprofit Corporation Act § 48-52-102

Research Foundation Articles of Incorporation

Research Foundation By-Laws

A. Introduction

The University of Memphis Research Foundation (Research Foundation), a public benefit company was established on June 16, 2006. The Research Foundation was formed to promote the objectives of The University of Memphis (University) by providing higher education, conducting research, providing public service, and assisting in economic development in Tennessee. In furtherance of these objectives, the Research Foundation will facilitate acquisition of sponsored research funds from public and private sources, solicit donations to support activities of the Research Foundation, pursue appropriate legal protection for proprietary technologies developed through University research, hold and manage intellectual property assets on behalf of the University, and promote commercialization of research products and transfer of University technologies to appropriate partners for their further development and commercialization. In accordance with the Research Foundation's charter, the Research Foundation is authorized to perform similar activities in support of other institutions within the Tennessee Board of Regents (TBR) System.

The Research Foundation is organized exclusively for charitable, scientific, literary and educational purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Code, as amended, or corresponding section of any future federal tax code; and, to the extent consistent with the provisions herein, to do any and all things allowable under the Tennessee Nonprofit Corporation Act. The corporation is organized to operate for the benefit of the University of Memphis, which
is owned and operated by a governmental unit, as an organization described in Sections 170(b)(1)(A)(iv) and 509(a)(1) of the Code, but only to the extent that such functions and purposes are exclusively for charitable, scientific, literary and educational purposes. Specifically, the corporation is organized to benefit the University of Memphis, a public institution of higher education, for the following purposes:

a) developing and administering sponsored research and other projects conducted by the faculty and staff of the University of Memphis;
b) coordinating a sponsored research program for the University of Memphis;
c) encouraging, promoting, and aiding in the fulfillment of the educational, service and research functions of the University of Memphis; and
d) using and applying the whole or any part of the income and principal received exclusively for charitable, educational, and scholarly purposes; and
e) encouraging, promoting and aiding the transfer of technologies generated in the course of research conducted by University of Memphis faculty, staff and students.

The Research Foundation's policies and procedures must be followed to maintain the highest integrity and to ensure conformance with the Research Foundation's Charter and Bylaws.

**Internal Revenue Service (IRS) Status**

On October 23, 2006, the Internal Revenue Service issued a letter of determination declaring the Research Foundation a Public Charity exempt from federal income tax under section 501(c) of the Internal Revenue Code as an organization described in section 501(c)(3).

**Fiscal Year Period**

The Research Foundation's fiscal year is July 1 through June 30.

**Audit Requirements**

The Research Foundation is required to prepare fiscal-year financial statements annually. These statements, as well as all fiscal aspects of the Research Foundation, must be audited annually by an independent certified public accounting firm and at such other times as directed by the Board of Directors.

The audit must be conducted in accordance with generally accepted auditing standards and the Government Accountability Office’s *Government Auditing Standards (2011)*. The audited financial statements, as well as IRS Form 990, Return of Organization Exempt from Income Tax, and all other accounting records will be on file in the Research Foundation Office.
B. Important Information

FEIN Number 20-5400381
(Federal Employer Identification No.)

DUNS number 969818678

Physical Address University of Memphis Research Foundation
308 Administration Building
Memphis, TN 38152

Mailing Address University of Memphis Research Foundation
308 Administration Building
Memphis, TN 38152

Telephone Number 901/678-2590

Facsimile Number 901/678-2199
C. Board of Directors, Officers and Staff

The Research Foundation is currently managed by a board comprised of 13 directors. Seven directors are members of the board by virtue of their responsibilities at the university and six remaining directors elected triennially are considered At-Large Directors and are selected from individuals with expertise in banking, business, technology, research, law or other fields relevant to the business of the Research Foundation. At least one (1) member of the At-Large Directors is an alumnus of The University of Memphis.

The Officers of the Board of the Directors of the Research Foundation consists of a Chair, Vice Chair, Secretary/Treasurer and the Executive Director of the Research Foundation. The Executive Director of the Research Foundation is appointed by the Chair. The Board of Directors in its discretion appoints or employs such additional Officers as may be necessary to conduct the business of the Research Foundation.
II. Sponsored Programs Administration Procedures

REFERENCES: Policies & Procedures Related to Sponsored Programs
http://www.memphis.edu/researchsupport/policies_and_procedures.php

A. Introduction

The Research Foundation may solicit, accept, administer and disburse gifts, grants and bequests of property from various sources and enter into contracts to support research, teaching and service functions by the faculty and staff of the University. Advantages/benefits of administering sponsored programs through the Research Foundation include:

- The potential to accept contract terms that the University is prohibited by state law to accept.
- The return of residuals to the Principal Investigator.
- The accommodation of certain sponsor requirements of a 501(c)3 entity for the receipt of funds.

Appropriate classification of funding is important to institutions; it determines how to account for the funds, recover costs, monitor activities, and report on the use of the funds to internal and external constituents. External funding is generally classified into two categories: non-exchange transactions or exchange transactions. With non-exchange transactions, the donor neither receives nor expects to receive anything of material value in return for the contribution.

B. Project Proposal Process

Research Foundation proposal process follows University proposal policies and procedures; as well as, the prospective sponsor’s guidelines. Similarly to the University, there are specific documents (e.g. proposal summary form, budget and scope of work) that are required at the inception of the process. Upon receipt of the required proposal documents, a proposal number is assigned and a file is established.

a. Principal Investigator Eligibility

University policy requires that all principal investigators or co-investigators have a regular appointment status, serving as faculty or staff.

The Investigator Eligibility Policy can be found at:
http://www.memphis.edu/researchsupport/research_admin_guideline.php
If authorized by the sponsoring agency, certain exceptions to the above policy may be made with the approval of the chair/director, dean, and the Vice Provost for Research.

b. Proposal Submission

All applicable proposals should be submitted to the Research Foundation for review and approval prior to submission to the prospective sponsor. University policies and procedures require proposals to be submitted at least ten (10) working days prior to the sponsor deadline.

The Research Foundation will determine if the proposal complies with University policies and procedures and prospective sponsor guidelines. This includes adherence to University policies and procedures pertaining to the use of human subjects, animal subjects, bio hazardous materials and research in recombinant DNA molecules.

C. Agreement/Contract Negotiations

The Research Foundation requires a written agreement with mutually acceptable terms, signed by authorized representatives of both parties. The office contract coordinator will typically initiate and negotiate the agreements on behalf of the Research Foundation.

All Research Foundation agreements include the following clause that states the relationship between the Research Foundation and the University:

Research Foundation and the University have entered into an agreement wherein University performs research and service projects under agreements executed by Research Foundation with outside sponsors, and Research Foundation manages and controls University’s interest in intellectual property rights created under said agreements with outside sponsors.

The most common award terms to which the Research Foundation will take exception, and try to negotiate changes, are as follows:

• Agreement assigned to wrong party (i.e. to the PI)
• Title (ownership) to intellectual and/or tangible property to be retained by the sponsoring agency
• Unreasonable reporting requirements
• Unacceptable payment terms
• Payments in foreign currency
• Adherence to rules/laws which conflict with certain laws of Tennessee
• Indemnification or warranties
• Issues with export controls

It is the combined responsibility of the Research Foundation staff and the principal investigator to ensure the award document does not contain terms and special conditions with which the Research Foundation or principal investigator cannot comply.

Authorized signatories on Research Foundation agreements are the University President in her/his capacity as the Chair of the Board of Directors or the Research Foundation Executive Director.

D. Advance Accounts

Research work should not begin before a contract is in place, however, should the award negotiations process be protracted, the Executive Director of the Research Foundation or his/her designee may authorize work and spending to begin prior to the award document being fully executed. The appropriate sponsor official must be able to assure the receipt and acceptance of the award document and provide the effective dates of the award. This procedure will be used only when the lack of authorization for expenditures would create a serious delay or hardship for the project. Normally, advance account budget and expenditures will be limited to those absolutely necessary for project progression.

E. Post Award Process

At the completion of the negotiations (as required) and upon receipt and acceptance of an award agreement and/or document from the Sponsor, the Research Foundation through the Office of Research Support Services, will transmit the executed award and related budget to the University’s Office of Grants and Contracts Accounting. Should the principal investigator receive either the executed award agreement and/or document or payment, he/she should forward it to the Research Foundation.

a. Job (Project) and Fund/Index Code Creation

Upon execution of the award agreement, a job (project) is established in the Research Foundation’s Quick Books Financial System. Additionally, the following identifying account (number) structure is assigned to the project by the Office of Grants and Contracts Accounting, upon receipt of the transmittal:

- Fund Code
- Organization Code
- Program Code
- Index Number

b. Project Budgets and Costs (Expenditures)
Similarly to University sponsored projects, all fiscal activities on Research Foundation sponsored projects must comply with University policies and procedures; as well as, sponsor terms and conditions as noted in the sponsored agreement.

i. **Direct Cost**

All costs should be allowable, allocable, reasonable and treated consistently for that specific sponsored project in accordance with the approved budget.

ii. **Facilities and Administrative (F&A) Cost**

The Research Foundation's F&A cost policy follows the University’s F&A cost policy. Any exception to this policy must have the written approval of the Executive Director of the Research Foundation or his/her designee. Please refer to the following address for current (F&A) cost rates:


iii. **Cost Share Commitments**

The Research Foundation follows University policy on making cost sharing commitments. Cost sharing commitments must be adequately documented and should only be made when required by the sponsor or by the competitive nature of the award. Even under these circumstances, commitments to cost share should only be made to the extent necessary to meet specific requirements of the sponsored project. Guidelines are set forth at:

http://policies.memphis.edu/UM1723.htm

The principal investigator is responsible for all expenditures charged to a Research Foundation account. Any budget/cost overruns are the responsibility of the principal investigator and/or the respective University department and college. Periodic review of the project account should be made by the principal investigator or their designee, the Office of Grants Accounting and the Research Foundation.

As expenditures are incurred and posted to the account, the University submits periodic project invoices to the Research Foundation. Upon receipt of a project invoice by the Research Foundation, the expenditures on the invoice are reconciled to the project fund/index data in the University’s financial system (Banner). The invoice is then entered into the Research Foundation’s financial system, as a payable. A payment to the
University is made each quarter based on the invoices/payables recorded during that period.

c. **No-Cost Extensions**

If additional time beyond the established expiration date will be required to assure adequate completion of the project within the funded budget, a no-cost time extension may be requested from the Sponsor by the principal investigator. Such a request should be made at least forty-five (45) days prior to the expiration date. The request may include a brief summary of progress, funds remaining, and plans to complete the project. The need for an extension of time should be well justified. Usually, the fact that funds may remain at the expiration date is not, in itself, sufficient justification for an extension.

d. **Reporting Requirements**

i. **Technical Reports**

The principal investigator will be responsible for the preparation and submission of all required technical reports. The technical reporting requirements are set forth in the award document and/or handbooks and guidelines published by the sponsor. The principal investigator should apprise the sponsor anytime the project timelines cannot be met.

ii. **Financial/Accounting Reports**

The Research Foundation will be responsible for maintaining the official fiscal records and for the preparation of all financial reports and billings to the sponsor. Financial reports shall also be provided on a quarterly basis or as requested, to the Board.

F. **Revenue Receipting Guidelines**

All income, including contributions, received by the Research Foundation shall be deposited by the Treasurer in a special account or accounts in such banks, trust companies, or other depositaries as the Board may select. The receipt of physical checks are processed as follows:

a. All payments should be remitted to the Research Foundation’s principle address at:

   University of Memphis Research Foundation  
   308 Administration Building  
   Memphis, Tennessee  38152

b. Check payments received via mail are retrieved, opened and recorded in a written log sheet by the Administrative Associate.
c. The check is then passed on to the designated person acting as Financial Manager of the Research Foundation, who records the payment in the financial system to the appropriate sponsored project and makes the deposit at the bank.
d. Bank Reconciliation of Research Foundation funds should be performed monthly.

G. Revenue Recognition and Net Asset Classification

All Research Foundation project revenue will generally be classified as either contract/agreement (exchange transaction) revenue or gift/contribution (non-exchange) revenue with the following distinct characteristics:

a. Contracts/Agreements:
   i. Generally are considered to be **Exchange Transactions** whereby the sponsor is expecting to receive something of value in return for the funds awarded.
   ii. Revenue is recognized on the completed contract method. Without formal project cost accounting to determine percentage of completion, net contract revenue received prior to completion of the contract will be deferred until contract completion.
   iii. Net Assets are classified as Unrestricted.

b. Gifts/Contributions:
   i. Generally are considered to be **Non-Exchange Transactions** whereby the sponsor neither receives nor expects to receive anything of value in return for the contribution.
   ii. Revenue is recognized when awarded (considering collectability).
   iii. Net Assets are classified as Restricted.

H. Purchasing/Disbursement Guidelines

a. Purchasing

Purchases of goods and services made with Research Foundation funds must adhere to sound, ethical business practices. No financial commitment may be made without specific written authority of the Research Foundation Board or the Executive Director. Prudent judgment must be exercised by authorizing officials, when expending funds or determining if an expenditure is appropriate. Procurement of goods and services through the Research Foundation primarily follows University procedures which can be found at:

http://policies.memphis.edu/UM1507.htm
b. **Disbursements**

All disbursements from the Research Foundation shall require approval by the Board or the authorized designee and shall be properly recorded. All such records shall be subject to examination at any reasonable time, upon request, by any director.

I. **Project Close-Out Process**

a. A sixty (60) Day notice/memo will be sent to the principal investigator indicating project end/expiration date and requesting verification that project will be completed by the current end date and a no-cost extension to continue or complete the project will not be required.

b. Confirmation that final sponsor payment has been received, shall be made.

c. Reconciliation of the Research Foundation project balance to the budget balance available on the project fund/index in Banner, shall also be made.

J. **Residual Balance Transfer Procedures**

a. If the Principal Investigator (PI) does not have an existing Research Foundation Residual Balance Account, a Research Foundation Residual Balance PI Account, will need to be created.

b. The existing negotiated F&A rate on the project will be charged on the residual balance.
   i. The charged rate amount will be transferred to a Research Foundation Residual Rate Account.
   ii. The remaining amount will be transferred to the Research Foundation PI Residual Balance Account.

c. The PI will need to submit a Scope of Work (describing the use of the residuals) and an internal budget to the Research Foundation up to the amount of the residual funds held by the Research Foundation in order to initiate the residual balance account setup and/or residual budget authorization.

d. The Office of Research Support Services will transmit the internal budget and scope of work to Grants Accounting, upon review and approval by Research Foundation.

e. Grants Accounting will set up a separate restricted fund for each PI for the PI’s residual budgets and projects. As “residual” projects are identified and budgets are requested by the PI, upon Research Foundation’s review, approval, and transmittal, Grants Accounting will increase the budget in the PI’s Residual account. PI Residual accounts will be:
   i. Set up on a June 30th fiscal year basis
   ii. Reviewed for renewal at the start (July1) of each fiscal year period.

g. Quarterly Residual Balance Reports will be provided to the Research Foundation Board and PI.
K. Intellectual Property

The Research Foundation's Intellectual Property policy follows the University policy. The University’s Office of Technology Transfer shall negotiate and execute patent clauses and license agreements on behalf of the Research Foundation. University of Memphis Policy: Intellectual Property: [http://policies.memphis.edu/UM1607.htm](http://policies.memphis.edu/UM1607.htm).

The Board of Directors has established an Investment Committee which is charged with the responsibility of reviewing all matters relating to the investment of Foundation assets and making recommendations relating thereto from time to time to the Board of Directors.

L. Investment Objectives

The Foundation’s primary investment objective is capital preservation. This objective shall be accomplished utilizing cash and cash equivalents and fixed income instruments. The Foundation’s assets shall be invested in such a manner that cash will be available for distribution to the University consistent with the requirements of the grants and contracts sponsored programs supported by Foundation funds.

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>0%</td>
<td>75%</td>
</tr>
</tbody>
</table>

The asset allocation ranges are intended as a guide representing the means of achieving capital preservation, income yield and cash flow requirements within acceptable levels of risk. All cash should be invested in income bearing instruments that possess stable pricing and reasonable liquidity. These should include checking and savings accounts, money market funds, certificates of deposit, US Treasury Bills, Notes and Bonds, US Corporate Securities, US Government Agency Securities and Commercial Paper rated A2/P2 or higher.