

NEW YORK STATE  
RESIDENTIAL HEALTH CARE FACILITY  
ACCOUNTING AND REPORTING MANUAL

SPECIALIZED ACCOUNTING AREAS (Cont'd)

NURSING HOME RESEARCH AND EDUCATION COSTS

All direct costs incurred in conducting nursing home research and formal educational activities (as opposed to inservice education) must be recorded in the appropriate unrestricted or restricted fund cost center accounts.

GRANT ACCOUNTABILITY

When separate accounting is required by law, grant, contract, or donation restricted for research and educational activities, a separate cost center should be maintained. Transfers from restricted funds to match the expenditures for these activities must also be segregated into separate accounts.

Thus, accountability is maintained for all restricted research and educational activities.

Grants that represent deficit financing should be accounted for as a reduction of the appropriate contractual allowances when used rather than, in the case of other grants, as other operating revenue.

GRANT OVERHEAD ALLOCATION

No allocation of overhead should be made on the books prior to cost finding unless such allocation is required by grant agreement. When a grant contract calls for the payment of direct costs plus an overhead factor,

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the overhead factor should be used in billing, but no allocation should be made in the nursing home's accounting records.

The following example illustrates the accounting treatment of restricted grant activity:

Assume that a nursing home received a specific research grant on December 1, which called for payment of direct costs incurred, plus an overhead allocation of 10% of such costs. At December 31, \$150 of direct costs had been incurred. The following entries would be made in the nursing home's accounting records at December 31:

	<u>Unrestricted Fund</u>	<u>DR.</u>	<u>CR.</u>
	<u>Account</u>		
Research expense	8020.00	\$ 150	
Cash	1010.00		\$ 150
Due from specific purpose fund	1094.00	\$ 165	
Transfer from restricted funds for research	5011.00		\$ 165

To record research direct costs and set up receivable and other operating revenue from restricted fund for direct costs, plus overhead allocation

	<u>Specific Purpose Fund</u>		
	<u>Account</u>		
Fund balance-Transfers to operating funds for operating purposes	2798.00	\$ 165	
Due to operating fund	2781.00		\$ 165

To record liability to unrestricted fund for direct research costs and overhead allocation.