**UNIVERSITY OF VERMONT**

**MEMORANDUM OF UNDERSTANDING (MOU)**

Instructions: Please complete all sections, and obtain the signatures required from your area.

The italicized text is intended to provide guidance in completing this document. Please delete this paragraph and all italicized text before forwarding to Financial Analysis and Budgeting.

**FAB USE ONLY:**

Source Value:

**Activity Name**:

**Space Identified for Activity** (Building and Room nos.):

**Purpose of Activity:**

*Describe the goods or services that will be provided, how the activity relates to the department’s mission, and the type of clients who potentially will use the services or acquire the goods. As part of this section, please address these questions, if applicable:*

* *Are there other University sources from which similar goods or services may be obtained?*
* *If similar goods or services may be obtained from non-University sources or other University sources, why create this proposed activity?*
* *If goods or services have been provided free of charge in the past, why now charge for the goods or services?*

**Management of Activity:**

*Include descriptions of personnel responsible for the management of the activity, the methods of record keeping, the reconciliation of the budget reports, MOU, and rate revision. It will be assumed that all non-University billing will go through Accounts Receivable billing procedures for the University. If not, any special accounting procedures must be worked out with the Controller's Office and be documented. A copy of such agreements should be attached to the MOU. If cash receipts are anticipated, it should be noted in the MOU and* [*cash handling procedures*](http://www.uvm.edu/policies/acct/cashreceipts.pdf) *followed.*

**Responsible General Fund Base Budget:**

*Every income/expense account must have a specifically identified, base-budgeted general fund account that will be responsible for covering any recurring deficit in the income/expense activity account. At year end it will be determined by FAB if the recurring deficit will be covered by the responsible general fund budget.*

**Types of Expense:** *Describe the expenses that will be charged to this account.*

*1.* **Direct Expenses:** *Typical direct expenses include salaries, wages, benefits, operating expenses (e.g., supplies, telephone, postage, rental of facilities), rental/lease of equipment, small equipment purchases, and equipment depreciation. Important: the rate used to bill the federal government cannot include any expense for equipment reserve. Attach a budget schedule that details the projected expenses to the MOU.*

*2.* **Indirect Expenses:** *The costs assessed by the University (FAB) to cover certain costs of administering and supporting income/expense activities that do not appear as direct expenses in the income/expense activity. Expenses for items such as custodial services, utilities, mail services, accounting services, and central management are borne by the General Fund. To assure that we are not duplicating the indirect costs included in the federal grants and contracts, only space related costs (e.g., building maintenance costs) are reflected in the indirect costs assessed to income/expense activities charging grants. In order to determine the income necessary to cover the full cost, these indirect costs must be budgeted and built into the rate calculation for the income/expense activity.*

*The criteria used by FAB to charge indirect cost to an activity are based on who the anticipated users will be, level of income, use of the University's facilities (space needs), and the relation to the primary mission of the University. You will need to contact FAB to determine if, and by what method, your activity will be charged.*

1. **Space Use:** *Identify actual building(s) and room(s) to be used by the activity. If shared, note who other user(s) will be and the percent of time and space dedicated to the income/expense activity.*
2. **Equipment:**

**Existing Equipment:** *Federal regulation requires that if the proposed activity uses any pre-existing equipment, you must identify the type of equipment, date of purchase, the purchase order number, the vendor, the original cost, the funding source of the original purchase, and the UVM inventory tag number.*

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| --- | --- | --- | --- | --- |
| Equip Type | Purchase Date | PO Number | Account No. | UVM ID Tag # |
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**Purchase of Equipment**: *Any equipment purchase that could have a significant impact on the annual rate should be made from the plant fund. A depreciation schedule must be developed and the annual expense included in the rate. This schedule, which must be submitted with the budget and rate calculation each year, prevents the rate from being distorted for any one year of operation and allows a more appropriate matching of costs with revenue each year.*

5. **\*Tax Liability:** *Provide the following tax information for purposes of determining tax liability.*

### Sales Tax: *If the proposed activity will sell tangible personal property (goods) to external clients (including University employees), explain whether the activity is subject to Vermont sales tax regulations.*

**Unrelated Business Income Tax (UBIT):** *If the proposed activity will sell goods or services to individuals or entities, explain whether the conduct of the activity contributes (i.e., is substantially related) to the University’s educational, research, or public service mission.*

***\*NOTE: If there is no anticipated Sales or UBIT tax, please use this standard language if appropriate*:** *“Tax Liability: There are no sales or rental of tangible items, to external users or otherwise, therefore sales tax is not required to be collected. Unrelated business income tax does not apply because the activity lacks a profit motive. Further, the conduct of the activity substantially contributes to the University’s educational, research and public service mission.”*

**Types of Income:**

*Describe the types of income to be generated by charges to clients; that is, sales of goods, services, and rental usage. Also, include other sources of income available to the activity. For instance, if a college, school, or department plans to provide a subsidy to this activity, the amount must be identified on the budget page attached to the MOU.*

*Any income that is unrelated to the educational, research, and public service mission of the University must be separately budgeted and deposited so the University will have proper information to report to the Internal Revenue Service for tax purposes.*

*Also, estimate the percentage of users by the following categories:*

General Fund Departments: %

Other I/E Activities: %

Grants/Contracts: %

Students: %

Non-University Parties: %

Other: %

 Total 100.0 %

***Please include this language for activities charging external (non-UVM) clients:*** *“Sponsored Projects Administration (SPA) will be contacted when any externally generated revenue (non-UVM clients) is funded by federal dollars and the responsibility for a piece of the programmatic work is being passed onto UVM. This may result in the work being treated as a sponsored agreement depending on the requirements attached to the sponsored funds.”*

**Rate Calculation:**

*Include a general description of the methodology used to develop the billing rates and the measurable units of goods or services.*

*Submit the initial rate calculation as an attachment to the MOU. Keep in mind that a separate rate must be established for each unique class of goods or services provided by the activity.*

*As discussed in other sections, the rate calculation schedule, including the methodology and the projected billable units, is required each year with the submission of the new year budget for each activity.*

**Year-End Balances/Deficits:**

*Address what will happen to any year-end balance or deficit in this account. Typically, the balance will carry forward automatically. Since the current year balance is not known until after the next fiscal year rates are developed and approved, either the surplus or the deficit should be included in the future rates two years out.*

**Special Year-End Procedures:**

*Identify any special accounting entries that must be made at year end.*

**Other Management Characteristics:**

*Address any other operating/management issues unique to this income/expense activity that has not been covered in other parts of the MOU. Any exceptions to the basic operating principles outlined in this manual must be documented in the MOU.*

**Attached Schedules:**

**\_\_\_\_\_** Equipment Depreciation Schedule (see Section III and Appendix D of manual)

\_\_\_\_\_ Budget Projections (see Section III and Appendix C of manual)

\_\_\_\_\_ Rate Calculation (see Section III and Appendix C of manual)

**\_\_\_\_\_** Other Required Schedules or Documentation

**Final Approval Signatures:**

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Budget Manager Date Department Chair/Supervisor Date

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Dean/Director Date Provost or VP Finance & Admin. Date

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University Budget Director Date Controller Date

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Associate Controller Date Tax Administrator Date