

 <p><b>Policy</b> <b>Financial Reporting: GAAP</b> <b>Conformity</b></p>	Document Number	
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**Policy Statement:**

The Louisiana Cancer Research Consortium’s (LCRC) financial statements and reporting conforms with Generally Accepted Accounting Principles (GAAP). The accrual basis of accounting (accrual basis) for transactions and reporting is employed to ensure accuracy of information and compliance with external standards. The accrual basis is required under Generally Accepted Accounting Principles (GAAP). LCRC specifically applies GAAP in accordance with various compliance, oversight and/or regulatory bodies.

**Definitions:**

**Generally Accepted Accounting Principles** - Generally accepted accounting principles (GAAP) are uniform minimum standards of, and guidelines to, financial accounting and reporting. GAAP establishes appropriate measurement and classification criteria for financial reporting. Adherence to GAAP provides a reasonable degree of comparability among the financial reports of businesses, including non-profits, state (including quasi) and local governmental units.

**FASB - Financial Accounting Standards Board** – the designated organization in the private sector for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental organizations. Primary in initiation of GAAP.

**GASB – Government Accounting Standards Board** - the independent organization that establishes and improves standards of accounting and financial reporting for U.S., state and local governments. The GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments.

**Accrual Basis Accounting** - an accounting method that measures the performance and position of a company by recognizing economic events regardless of when cash transactions occur. Economic events are recognized by matching revenues to expenses (the matching principle) at the time in which the transaction occurs rather than when payment is made (or received). This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of LCRC’s current financial condition. It eliminates the budget distortion of large advance payments, such as annual

insurance premiums, etc., and gives a more accurate picture when actual expenses are compared with budgeted amounts. It also eliminates the possibility of overlooking incurred but unpaid expenses when making budget projections with GAAP - LCRC's financial statements and reporting conforms with GAAP.

## **GAAP Conformity Requirements**

### **By Cooperative Endeavor:**

The Cooperative Endeavor Agreement (CEA) by and among the Board of Supervisors of Louisiana State University Agricultural and Mechanical College, the Louisiana State University Health Sciences Center in New Orleans (LSUHSC-NO) and the LCRC contains the following deliverable requirement (Paragraph V: Deliverables, Number 1):

The Cancer Center shall maintain a system of accounting and financial controls adequate to assure the availability and accuracy of cost and financial records in accordance with generally accepted accounting principles (GAAP).

### **By Audit:**

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) which includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

It is the auditor's responsibility to express an opinion on LCRC's financials. GAAP conformed financial statements are required.

### **By State Reporting:**

For financial reporting purposes, LCRC is classified as a component unit of the State of Louisiana (the State) and which means its LCRC's financial information is included in the State's Comprehensive Annual Financial Report (CAFR) (discretely). The Office of Statewide Reporting requires all component units of the State to report as "Special-Purpose Government Engaged Only in Business-type Activities (BTAs)", which (in addition to the annual financial audits) are required to provide financial statements and reporting to the State, in accordance with GASB 34 which requires reporting on the accrual basis accounting, a requirement of GAAP .

### **In Summary:**

LCRC shall maintain a system of accounting and financial controls adequate to assure the availability and accuracy of cost and financial records in accordance with generally accepted accounting principles (GAAP) which requires use of accrual basis accounting for recording transactions and financial reporting.