



**Finance
Strategic
Transformation**

Function Definitions



**UNIVERSITY
of
VIRGINIA**





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Function Worktag | Definitions

A functional expense classification:

- Grouping of expenses according to the **purpose** for which the costs are incurred.
- Tells **why** an expense was incurred rather than *what* was purchased.
- Helps donors, granting agencies, creditors, and other readers of the financial statements to understand the various mission-related activities of the institution and their relative importance.

Where/When is Function used at UVA?

- State Budget Reporting
- Annual Budget presentation to the BOV
- Quarterly Comparison of Budget to Actuals to the BOV Finance Committee
- Reporting for the Integrated Postsecondary Education Data Systems (IPEDS) Finance Survey
- Ad Hoc Reporting requests from external constituents

Function Worktag | Definitions (con't)

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Scholarships and Fellowships
- Auxiliary Enterprises
- Operations and Maintenance of Plant

Function Worktag | Instruction

The instruction classification includes expenses for all activities that are part of an institution's instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions are included.

Expenses for departmental research and public service that are not separately budgeted also are included in this classification.

This classification excludes expenses for those academic personnel whose primary activity is administration—for example, academic deans.

The instruction classification includes the following subclasses:

- General Academic Instruction
 - General Academic Instruction – Medicine
 - General Academic Instruction – Medicine (Graduate Medical Education)
 - General Academic Instruction – Family Medicine
 - Vocational/Technical Instruction
 - Community Education
 - Preparatory/Remedial Instruction
 - Preparatory/Remedial Instruction - Medicine
 - Instructional Information Technology
- Denotes a Virginia Department of Planning and Budgeting subclass not broken out for NACUBO/IPEDS requirements.

Function Worktag | Research

The research classification includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Subject to those conditions, the classification includes expenses for individual and/or project research as well as that of institutes and research centers.

This classification does not include all sponsored programs nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this classification.

Expenses for departmental research that are separately budgeted are included in this classification. However, the research classification does not include expenses for departmental research that are not separately budgeted. Departmental research that is not separately budgeted is included in the instructional category.

The research classification includes the following subclasses:

- Institutes and Research Centers
 - Individual and Project Research
 - **Commonwealth Research Initiative**
 - Research Information Technology
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- Denotes a Virginia Department of Planning and Budgeting subclass not broken out for NACUBO/IPEDS requirements.

Function Worktag | Public Service

The public service classification includes expenses for activities established primarily to provide non-instructional services for the benefit of individuals and groups that are external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this classification are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar non-instructional services to particular sectors of the community.

The public service classification includes the following subclasses:

- Community Service
 - Community Service – Funds for Excellence
 - Conferences, Workshops, etc.
 - Cooperative Extension Service
 - Public Broadcasting Services
 - Public Service Information Technology
- Denotes a Virginia Department of Planning and Budgeting subclass not broken out for NACUBO/IPEDS requirements.

Function Worktag | Academic Support

The academic support classification includes expenses incurred to provide support services for the institution's primary programs of instruction, research, and public service. It includes the following activities:

- The retention, preservation, and display of educational materials, such as libraries, museums, and galleries
- The provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college of education
- Media, such as audio-visual services, and technology, such as computing support
- Academic administration (including academic deans but not department chairpersons) and personnel providing administrative support and management direction to the three primary missions
- Separately budgeted support for course and curriculum development

For institutions that currently charge some of the expenses—for example, computing support—directly to the various operating units of the institution, this classification does not include those expenses.

The academic support classification includes the following subclasses:

- Libraries
- Museums and Galleries
- Educational Media Services
- Ancillary Support
- Academic Administration
- Academic Personnel Development
- Course and Curriculum Development
- Academic Support Information Technology

Function Worktag | Student Support

The student services classification includes expenses incurred for offices of admissions and the registrar and activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. This classification includes expenses for student activities, cultural events, student newspapers, intramural athletics, student organizations, intercollegiate athletics (if the program is not operated as an auxiliary enterprise), counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health service (if not operated as an auxiliary enterprise).

The student services classification includes the following subclasses:

- Student Services Administration
- Social and Cultural Development
- Counseling and Career Guidance
- Financial Aid Administration
- Student Admissions
- Student Records
- Student Health Services (if not operating as an Auxiliary)
- Student Services Information Technology.

Function Worktag | Institutional Support

The institutional support classification includes expenses for central, executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming operations, and legal services; fiscal operations, including the investment office; administrative information technology (when not accounted for in other categories); space management; employee personnel and records; logistical activities that provide procurement, storerooms, printing, and transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fundraising.

Appropriate allocations of institutional support should be made to auxiliary enterprises, hospitals, and any other activities not directly related to the primary programs—instruction, research, and public service—or their related support classifications.

The institutional support classification includes the following subclasses:

- Executive Management
 - Fiscal Operations
 - General Administration
 - **Logistical Services (when not operating as an Auxiliary)**
 - Public Relations/Development
 - Administrative Information Technology
- Denotes a Virginia Department of Planning and Budgeting subclass not broken out for NACUBO/IPEDS requirements.

Function Worktag | Scholarships and Fellowships

Generally, institutions report most scholarships and fellowships as tuition discounts and allowances (reductions of tuition and fees revenues).

Aid that exceeds charges to the student (tuition and fees, dormitory, and food service), where the excess is disbursed to the student, the excess disbursed is reported as an expense in the financial statements.

The scholarships and fellowships classification includes expenses for scholarships and fellowships—from restricted or unrestricted University funds—in the form of grants that neither require the student to perform service to the institution as consideration for the grant, nor require the student to repay the amount of the grant to the funding source. In public institutions, they may result from selection by the institution or from an entitlement program. The classification also includes trainee stipends, prizes, and awards. (However, trainee stipends awarded to individuals who are not enrolled in formal course work should be charged to instruction, research, or public service.)

The scholarships and fellowships classification includes the following subclasses:

- Scholarships - grants-in-aid, trainee stipends, tuition and fee waivers, and prizes to **undergraduate** students.
- Scholarships – SLEAP (Special Leveraging Educational Partnership) – state designated aid to address the teacher shortage in VA - undergraduate
- Fellowships - grants-in-aid and trainee stipends to **graduate** students.

The scholarships and fellowships classification excludes student awards that are made in exchange for services provided to the institution, such as graduate and teaching assistantships and student work-study programs. When services are required in exchange for financial assistance, charges should be classified as expenses of the department or organizational unit to which the service is rendered and reported as expenses of the function classification benefited by the work provided by the student. For example, a tuition remission to a graduate teaching assistant in the biology department would be charged to instruction. Remission of tuition or fees granted as a result of faculty or staff status or family relationship of students to faculty or staff, should be recorded as staff benefits expenses in the benefits pool or of the department or organizational unit to which the service was rendered. (Benefit expenses will need to be allocated to the appropriate functional expense category if recorded in a broad benefit expense pool; benefit expenses directly charged to a functional category would not be allocated).

Function Worktag | Auxiliary Enterprises

An auxiliary enterprise exists to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed to operate as a self-supporting activity. Over time, the revenues will equal or exceed the expenses, although in any individual year there may be a deficit or a surplus. Examples are residence halls, food services, intercollegiate athletics (if operated as essentially self-supporting), college stores, faculty clubs, parking, and faculty housing. Student health services, when operated as an auxiliary enterprise, also are included.

The auxiliary enterprise category includes all expenses relating to the operation of auxiliary enterprises, including expenses for operation and maintenance of plant, depreciation, interest, and administration may be charged directly or allocated, even though that allocation is not required of public institutions for financial statement purposes. Also included are other direct and indirect costs, whether charged directly as expenses or allocated as a proportionate share of costs of other departments or units. To ensure that data regarding individual auxiliary enterprises are complete and adequate for management decisions, cost data should be prepared using full costing methods. Full costing means that the costs attributed to each enterprise includes a portion of indirect costs related to that enterprise, as well as the costs directly attributable to its operation.

The auxiliary enterprise classification includes the following subclasses:

- Auxiliary Enterprises—Student
- Auxiliary Enterprises—Student Dining Services
- Auxiliary Enterprises—Student Housing
- Auxiliary Enterprises—Student Health (when operating as an Auxiliary)
- Stores and Shops
- Student Activities – Student Unions/Rec Facilities
- Auxiliary Enterprises—Faculty/Staff
- Intercollegiate Athletics
- Parking and Transportation (when operating as an Auxiliary)
- Auxiliary Enterprises—Other
- Other Self-Supporting Enterprises
- Auxiliary Enterprises—Information Technology

Function Worktag | Operations and Maintenance of Plant

The operation and maintenance of plant category includes all expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. These expenses include items such as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture, and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; safety; hazardous waste disposal; property, liability, and all other insurance relating to property; space and capital leasing; facility planning and management; and central receiving.

For public institutions, operation and maintenance of plant expenses may be reported as a separate functional classification or the expenses may be allocated to the other functional categories based on an acceptable allocation methodology (such as square footage of buildings). *For IPEDS reporting, public institutions are required to allocate operations and maintenance costs among the other functional classifications in the expenses section (Part C) of the Survey beginning.*

The operations and maintenance of plant classification includes the following subclasses:

- Physical Plant Administration
 - Building Maintenance
 - Custodial Services
 - Utilities
 - Landscape and Grounds Maintenance
 - Major Repairs and Renovations
 - Rental Property
 - Operations and Maintenance Information Technology
- Denotes a Virginia Department of Planning and Budgeting subclass not broken out for NACUBO/IPEDS requirements.