

## Overview of Banner Program Codes & NACUBO Functions

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## **Overview of Banner Program Codes**

The “Program” code segment of the Banner C-FOAPAL accounting string (i.e., the “P” in C-FOAPAL) was designed to serve two primary objectives:

- 1) To identify the “function” of the activity (such as Instruction, Research, Public Service, etc.) according to standard definitions developed by the National Association of College and University Business Officers (NACUBO); and
- 2) To distinguish between operational activities within fund types that may be shared by multiple departments or activities (such as state, ICR, self-supporting, service plan, and federal agriculture research funds).

The intent of this document is to provide further details on the intricacies of this important segment of the Banner C-FOAPAL accounting string, as well as to provide further insight into the related NACUBO functions. If you have any questions or need further details on any of these topics, please refer to the “[Program Codes](#)” section or the “[NACUBO Functions](#)” section of the [UAFR Who to Ask](#) list and reach out to us for further assistance.

## **Overview of NACUBO Functions**

The **N**ational **A**ssociation of **C**ollege and **U**niversity **B**usiness **O**fficers (NACUBO) has established “functions” to create a standard reporting structure for accurately classifying expense activity according to the purpose for which the costs were incurred. These functional classifications (which are assigned to the Banner Program code) denote **why** an expense was incurred, rather than denoting **what** was purchased (as an account code would do).

For example, if a unit purchased research supplies, the NACUBO function assigned to the Program code would denote that the supplies were purchased as a part of the University’s research mission, while the account code would denote that the expense was for the purchase of consumable supplies.

These functional classifications have been widely used for decades by both public and independent institutions. Both public and independent institutions are **expected** and **required** to use these functional classifications when reporting expense information in various types of financial reports, as this helps donors, granting agencies, creditors, and other readers of the financial statements understand the various mission-related activities of the institution.

Given that so many reports and external parties are dependent on these functional expense definitions (which have been in place for decades), we must keep these definitional standards and accounting structures in place to ensure consistency in reporting from year-to-year. Accounting information systems **must** be capable of producing expense information by these NACUBO functional classifications.

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## **Examples of Reports, Rankings, and Other Accounting Processes Which Rely on Proper NACUBO Function Coding**

Accurately assigning the proper NACUBO function to Banner Program codes is critical to help ensure accurate financial and activity-related reporting of University expenditure activities. See below for a few examples of the various financial reports, activity-related reports, accounting processes, computations, and rankings which rely on accurate coding of NACUBO functions:

- ✓ Annual audited financial statements;
- ✓ Reporting to the State Comptroller;
- ✓ Reporting to the University of Illinois System's Board of Trustees;
- ✓ Reporting to the Integrated Postsecondary Education Data System (IPEDS), which is used for benchmarking by higher education institutions and the federal government;
- ✓ Assignment of costs in our Activity Reporting System, which is used for reporting to the Illinois Board of Higher Education (IBHE);
- ✓ Reporting from the IBHE to the Governor's Office of Management and Budget (OMB) which utilizes this information during the state appropriation budgeting process;
- ✓ Assignment of costs in campus grant cost accounting systems, which are used to allocate costs and determine overhead recovery rates;
- ✓ Reporting to major research sponsors; and
- ✓ National rankings of the nation's top universities and colleges (such as annual rankings that take place within the *U.S. News & World Report* publication).

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## **Numerical Format of Unique Banner Program Codes**

One of the primary objectives of a Program code (i.e., distinguishing between operational activities within fund types that may be shared by multiple departments or activities, such as state or ICR) is accomplished by assigning a unique number to the applicable Program code. These unique Program code numbers are assigned using the methodology described below:

1. The first three digits of the unique Program code would be the unit's 3-digit organization code; and
2. The final three digits of the unique Program code would be sequentially assigned in numerical order.

For example, if a unit's organization code was 223, then the unique Program codes within their department would follow a numerical format such as 223001, 223002, 223003, and so on. These would be the unique Program codes that they would use with University-wide funds (such as state or ICR) or with funds within their own unit which may have multiple activities taking place within them (such as a self-supporting or service plan fund).

**Note:** There is an exception to this rule for Federal Agriculture Research Program codes, as the final three digits of those Program codes end with a special federal project code number.

## **Numerical Format of Generic Program Codes**

Some fund types (such as current restricted and non-current fund types) require generic Program codes in the **19nnnn** numerical range, since funding within these fund types are **not** shared by multiple departments or activities. A common example would be a gift fund (which is a current restricted fund from a financial reporting perspective).

Thus, since these generic Program codes are within the 19nnnn numerical range, they differ from the unique Program codes in that they would **not** begin with the unit's 3-digit organization code.

Instead, these generic Program codes begin with "19" and end with a four-digit code that reflects the applicable NACUBO function. For example, 191100 is the generic Program code for Research (where the last four digits of 1100 represent the "Research" NACUBO function as outlined in [Appendix 4](#)).

So, if a gift fund was used to primarily pay for research expenditures, we would expect to see a generic 191100 Program code used on that gift fund's research expenditures.

See [Appendix 2](#) for a list of fund types that must use generic Program codes, and see [Appendix 3](#) for a list of the most commonly used generic Program codes.

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## **Importance of Transparent Titles for Unique Program Codes**

In addition to following the proper numerical format and assigning the proper NACUBO function, it is also important to have a clear and transparent title assigned to unique Program codes. By assigning a clear and transparent title, it is easier to identify how the Program code should ultimately be used and will help ensure the Program code is used for activities that are consistent with the Program code's assigned NACUBO function.

For example, if a unique Program code will be primarily used for Professor A's research activities, then the Program code should be assigned with an 1100 "Research" NACUBO function along with title that is consistent with that purpose and which properly reflects the assigned NACUBO function (such as "Professor A – Research Exp" or something along those lines).

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## **Assignment of NACUBO Functions to Banner Program Codes via the Banner Program Code Hierarchy**

One of the primary objectives of a Program code (i.e., identifying the primary NACUBO function of the majority of the Program code's expenditure activity) is accomplished by making use of the Banner Program code "hierarchy" functionality. This hierarchy functionality is used to assign the appropriate NACUBO function to the Program code to properly reflect what the majority (>50%) of the Program code's expenditures will be related to.

For example, if the majority of the expenditures taking place on a unique Program code will relate to instructional activities, then the 1000 "Instruction" NACUBO function should be assigned to that unique Program code.

This hierarchy functionality allows Banner to create associations through a "roll-up" sequence, where each successive level of hierarchy/roll-up represents an increasingly broad grouping of activities that relate to one another. Therefore, codes recording activities with similar characteristics can be grouped together for reporting purposes via this hierarchy roll-up feature.

Banner provides five levels of hierarchy within the Program code segment. The first two levels exist only for reporting roll-up purposes and are not "data-enterable" — in other words, they may not be used in a C-FOAPAL accounting string to record a transaction. The third, fourth, and fifth levels is where the six-digit data-enterable Program codes (i.e., the Program codes found in the C-FOAPAL accounting strings) would reside within the hierarchy.

This Banner Program code hierarchy can be viewed using Banner page **FGQPRGH**. See below for a quick description of each level of the Banner Program code hierarchy:

1. **Level 1 – NACUBO Function:** The first level of the Banner Program code hierarchy is where the NACUBO function categories reside at the highest level of the Program code hierarchy. This level is assigned as a two-digit code.
2. **Level 2 – NACUBO Sub-Function:** The second level of the Banner Program code hierarchy allows more refined classifications when needed for specialized reporting purposes. For example, if distinction is needed to see whether an expense is classified as either a scholarship or fellowship, we would need the more refined four-digit code which resides as this second level (e.g., either 1787 or 1788) as opposed to the more general two-digit code (e.g., 17) which resides at the first level. See [Appendix 1](#) for levels 1 and 2 of these Banner Program code hierarchies.
3. **Levels 3, 4, & 5 – Program Levels for Data-Enterable Program Codes:** The remaining levels of the Banner Program code hierarchy are used for the six-digit, data-enterable Program codes that are utilized in the C-FOAPAL accounting strings for actual transactions and day-to-day operations. These levels would include both the unique Program codes (i.e., the ones that begin with the unit's 3-digit organization code as described earlier), as well as the generic 19nnnn Program codes that are used by funding sources not shared by multiple departments or projects as described earlier (such as a gift funds).

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### **How to View NACUBO Functions Assigned to Existing Program Codes in Banner**

NACUBO functions may be identified by viewing a Program code's hierarchy using Banner page **FTIPRGH**. The user enters the "Chart" and "Program" code in the form and then clicks on the "Go" button. The form will then display all of the predecessor codes for the specified Program code, including the level 1 code (which represents the assigned NACUBO function).

Another popular Banner page that can be used is **FZMPROG**. The user can use the "Filter" button to enter in the applicable chart and Program code number of the Program code in question, and then click on the "Go" button to bring up the basic information on that particular Program code. The NACUBO function can typically be found in the "Predecessor Program" field.

Finally, as noted earlier, the Banner Program code hierarchy can be viewed using Banner page **FGQPRGH**.

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## **Allowable Fund Type & NACUBO Function Combinations**

Given the nature and funding source of the various types of funds utilized in the University of Illinois System, there are limitations on which types of funds can be used with certain NACUBO functions.

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For example, ICR funds are generated from overhead assessments charged to grant funds (and not from tuition assessed to students). Thus, ICR funds should **not** be utilized for instructional expenses, as the revenue source of ICR funds is not related to providing instruction to students.

See the chart at [NACUBO Function & Allowable Fund Type Combinations](#) for further details on which NACUBO functions are appropriate to use within a given fund type.

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## **NACUBO Function Code Definitions**

When assigning Program codes to Banner C-FOAPAL accounting strings, users must ensure that the Program code represents the correct NACUBO function of the activity being recorded. [Appendix 4](#) details out the NACUBO function definitions as defined and described by NACUBO along with the corresponding Banner level 1 Program codes.

However, note that some of the funds we use in the University setting actually do **not** have a corresponding NACUBO function definition. These would include non-current fund types such as loan funds, endowment funds, plant funds, and custodial funds. For those fund types, Banner hierarchy/roll-ups correspond to the applicable non-current fund category (such as function 6000 for loan funds, function 7000 for endowment funds, function 8000 for plant funds, and function 9000 for custodial funds).

Given that many of these NACUBO function definitions are vague and open to interpretation, it's important that units contact University Accounting and Financial Reporting if any questions arise on how specific types of expenditure activities should be coded. It's important that we apply consistency as well as accuracy when applying these NACUBO functions, and that we abide by the guidance provided by NACUBO as closely as we can. If you have any questions related to this area, refer to either the "[Program Codes](#)" section or the "[NACUBO Functions](#)" section of the [UAFR Who to Ask](#) list and reach out to us for additional details.

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## Appendix 1: Banner Program Code Hierarchy – Levels 1 & 2

<u>Program Code Level</u>		<u>Description</u>
<u>Level 1</u>	<u>Level 2</u>	
<u>10</u>		<u>Instruction</u>
	<u>1000</u>	Instruction
<u>11</u>		<u>Research</u>
	<u>1100</u>	Research
	<u>1180</u>	Research – Research Board Sponsored
<u>12</u>		<u>Public Service</u>
	<u>1200</u>	Public Service
<u>13</u>		<u>Academic Support</u>
	<u>1300</u>	Academic Support
	<u>1399</u>	Academic Support – Unallowable for Indirect Cost Study
<u>14</u>		<u>Student Services</u>
	<u>1400</u>	Student Services
<u>15</u>		<u>Institutional Support</u>
	<u>1500</u>	Institutional Support
	<u>1599</u>	Institutional Support – Unallowable for Indirect Cost Study
<u>16</u>		<u>Operations and Maintenance of Plant</u>
	<u>1600</u>	Operations and Maintenance of Plant
<u>17</u>		<u>Scholarships and Fellowships</u>
	<u>1785</u>	Fellowships – Postdoctoral Fellows
	<u>1787</u>	Scholarships
	<u>1788</u>	Fellowships – Graduate Students
	<u>1789</u>	Student Prizes & Awards
<u>20</u>		<u>Auxiliary Operations</u>
	<u>2000</u>	Auxiliary Operations
<u>30</u>		<u>Hospitals</u>
	<u>3000</u>	Hospitals
<u>40</u>		<u>Independent Operations</u>
	<u>4000</u>	Independent Operations
<u>50</u>		<u>Stores and Services</u>
	<u>5000</u>	Stores and Services
<u>60</u>		<u>Loan Funds</u>
	<u>6000</u>	Loan Funds
<u>70</u>		<u>Endowment Funds</u>
	<u>7000</u>	Endowment Funds
<u>80</u>		<u>Plant Funds</u>
	<u>8000</u>	Plant Funds
<u>90</u>		<u>Custodial</u>
	<u>9000</u>	Custodial

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## [Appendix 2: Fund Types Which Require Generic Program Codes \(19nnnn\)](#)

<u>Fund Type</u>	<u>Description</u>
<u>4A</u>	<u>Sponsored Programs-US Government Grants and Contracts</u>
<u>4C</u>	<u>Sponsored Programs-Other Governmental Agency Grants &amp; Contracts</u>
<u>4E</u>	<u>Sponsored Programs-Private Grants and Contracts</u>
<u>4G</u>	<u>Sponsored Programs-State of Illinois Grants and Contracts</u>
<u>4J</u>	<u>Trust-Endowment Income</u>
<u>4K</u>	<u>Trust-Endowment Farm Operations</u>
<u>4M</u>	<u>Trust-Private Gifts</u>
<u>4N</u>	<u>Trust-Other Restricted</u>
<u>5A</u>	<u>Private Loan Funds</u>
<u>5D</u>	<u>Federal Loan Funds</u>
<u>5G</u>	<u>Federal Loan Funds - Matching</u>
<u>6A</u>	<u>Endowment-Pool Accounts</u>
<u>6D</u>	<u>Endowments-US Land Grant 1862</u>
<u>6G</u>	<u>Endowments-True/In Perpetuity</u>
<u>6J</u>	<u>Endowments-Quasi</u>
<u>6M</u>	<u>Endowments-Term/Living Trust</u>
<u>6P</u>	<u>Endowments-Beneficial Interest in Trust</u>
<u>8A</u>	<u>Unexpended Plant-Unrestricted</u>
<u>8C</u>	<u>Unexpended Plant-Restricted</u>
<u>8E</u>	<u>Unexpended Plant-Internal Financing</u>
<u>8G</u>	<u>Unexpended Plant-Bonded</u>
<u>8J</u>	<u>Unexpended Plant-COP Acquisition Funds</u>
<u>8L</u>	<u>Unexpended Plant-Capital Development Fund</u>
<u>8N</u>	<u>Renewal and Replacement</u>
<u>9A</u>	<u>Custodial-Payroll, Tax, Fin Aid, Clrg</u>
<u>9D</u>	<u>Custodial-Fiscal Custodian for Ext</u>
<u>9G</u>	<u>Custodial – RSO, COF, &amp; RO</u>

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### **Appendix 3: Commonly Used Generic Program Codes (19nnnn)**

<b><u>Program Code</u></b>	<b><u>Description</u></b>
<u>191000</u>	<u>Instruction</u>
<u>191100</u>	<u>Research</u>
<u>191180</u>	<u>Research – Research Board Sponsored</u>
<u>191200</u>	<u>Public Service</u>
<u>191300</u>	<u>Academic Support</u>
<u>191399</u>	<u>Academic Support – Unallowable for Indirect Cost Study</u>
<u>191400</u>	<u>Student Services</u>
<u>191500</u>	<u>Institutional Support</u>
<u>191599</u>	<u>Institutional Support – Unallowable for Indirect Cost Study</u>
<u>191600</u>	<u>Operation and Maintenance of Plant</u>
<u>191783</u>	<u>Federal Loans</u>
<u>191784</u>	<u>Fellowships non-exchange non cost reimbursement</u>
<u>191785</u>	<u>Fellowships – Postdoctoral Fellows</u>
<u>191787</u>	<u>Scholarships</u>
<u>191788</u>	<u>Fellowships – Graduate Students</u>
<u>191789</u>	<u>Student Prizes &amp; Awards</u>
<u>192000</u>	<u>Auxiliary Operations</u>
<u>193000</u>	<u>Hospitals</u>
<u>194000</u>	<u>Independent Operations</u>
<u>195000</u>	<u>Stores and Services</u>
<u>196000</u>	<u>Loan Funds</u>
<u>197000</u>	<u>Endowment Funds</u>
<u>198000</u>	<u>Plant Funds</u>
<u>199000</u>	<u>Custodial</u>

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## [Appendix 4: NACUBO Function Code Definitions & Examples](#)

See the text and examples in the various sections below for an overview of each of the standard NACUBO functions as defined by NACUBO and as described to us throughout the years from past discussions with the experts within NACUBO.

If you need any further assistance in navigating these various NACUBO function definitions, refer to the “[NACUBO Functions](#)” section of the [UAFR Who to Ask](#) list and reach out to us for further assistance.

### [1000 – Instruction](#)

The instruction classification includes expenses for all activities that are ***part of an institution’s instruction program***.

See below for examples of activities which would be classified within this function:

- Credit and noncredit courses;
- Academic, vocational, and technical instruction activities focused on betterment of the individual;
- Remedial and tutorial instruction activities, such as basic adult education below the higher education level and pre-college bridge programs for incoming students;
- Salaries and wages for employees with teaching & instruction responsibilities, such as teaching assistants;
- Faculty start-up funding, faculty chairs, faculty professorships, and/or faculty fellowships that will be primarily used for expenses related to instruction activities, such as: **(1)** the purchase of instructional supplies for the classroom, or **(2)** faculty salaries attributable towards faculty teaching efforts within the classroom;
- Conferences, seminars, and workshops which have an academic focus and which offer individual credentials and/or individualized instruction for betterment of the individual attendees. Examples would include, but not be limited to:
  - Conferences which offer individualized certifications or professional training to the individual attendees; and
  - Seminars or workshops which offer continuing education credits to the individual attendees;

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- Lectureships and lectures which communicate informational content to the audience, such as a lecture series focused on a particular academic topic;
- Co-curricular student activities which complement the students' learning experiences. These activities are an extension of the students' formal learning experiences in a course or academic program and are directly tied to an academic curriculum (such as a science or art fair connected with an academic course);
- Student internship activities which are required as part of a course to earn credit towards a degree;
- Student marching band activities which are treated as a for-credit academic course (such as MUS 273 for the Marching Illini);
- Informal academic counseling services provided to students by faculty in relation to course assignments which is not separately budgeted for;
- Research experience and opportunity payments made to participants who are **not** enrolled at the institution during the semester in which the payment is made, assuming the participants are engaged in simulated research activity; and
- Departmental research and public service activities that are **not** separately budgeted for within a unique accounting string.

However, this classification **excludes** expenses for those academic personnel whose primary activity is administration (for example, academic deans). Those types of activities would be classified under the "Academic Support" function instead.

Also, this classification **cannot** be used with the ICR fund (200250), as ICR funds are **not** generated from tuition assessments and instructional fees. Given that ICR funds are generated from non-instructional activities, this instruction classification is **not** allowed to be used with the ICR fund.

The instruction classification includes the following five subclasses:

### 1) General Academic Instruction

This subclass includes expenses for formally organized and/or separately budgeted for instructional activities that are associated with academic offerings described by the IPEDS instructional program categories identified in the National Center for Education Statistics (NCES) publication, *A Classification of Instructional Programs*, and offered for credit as part of a formal postsecondary education degree or certificate program. This would include courses with a general academic focus such as open University courses, short courses, and home study activities which are offered for credit.

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## **2) Vocational/Technical Instruction**

This subclass includes expenses for formally organized and/or separately budgeted instructional activities that are associated with activities characterized as vocational/technical instruction in the IPEDS instructional program categories and offered for credit as part of a formal postsecondary education degree or certificate program. This would include courses with a general vocational/technical focus such as open University courses, short courses, and home study activities which are offered for credit.

## **3) Community Education**

This subclass includes expenses for formally organized and/or separately budgeted instructional activities conducted primarily for the betterment of individuals that do not generally result in credit toward any formal postsecondary degree or certificate. It includes noncredit instructional offerings carried out by the institution's Extension division (such as a Master Gardener individual certification program) as well as noncredit offerings that are part of the adult education, executive education, or continuing education program. This subclass also includes expenses for activities associated with programs leading toward a degree or certificate at a level below the higher education level, such as adult basic education.

## **4) Preparatory/Remedial Instruction**

This subclass includes expenses for formally organized and/or separately budgeted instructional activities that give students the basic knowledge and skills required by the institution before they can undertake formal academic course work leading to a postsecondary degree or certificate. Such activities, which are supplemental to the normal academic program, generally are termed preparatory, remedial, developmental, or special educational services.

These instructional offerings may be taken prior to or along with the course work leading to the degree or certificate. They are generally noncredit offerings, although in some cases credit may be provided specifically for required preparatory or remedial skills or knowledge. If students may satisfy preparatory requirements by taking offerings provided primarily for other than remedial or preparatory purposes, those offerings should be classified elsewhere.

## **5) Instructional Information Technology**

This subclass includes expenses for formally organized and/or separately budgeted instructional information technology. If an institution does not separately account for information technology resources, the costs associated with the three primary programs— instruction, research, and public service—will be classified as academic support and the remainder as institutional support.

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## 1100 – 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 for within a unique accounting string by an organizational unit within the institution.

See below for examples of activities which would be classified within this function:

- Individual research, project research, and scholarly research activities;
- Research institutes and research centers;
- Research equipment and research supplies;
- Salaries, wages, and other related expenses (such as visa citizenship costs) of research assistants, postdoctoral research associates, or other university employees who are directly working on university research activities;
- Faculty start-up funding, faculty chairs, faculty professorships, and/or faculty fellowships that will be primarily used for expenses related to research activities, such as: **(1)** the purchase of research supplies or research equipment for a research laboratory, or **(2)** faculty salaries attributable towards faculty research efforts;
- Travel to conferences related to specific areas of research in order to learn more about the particular research topic being discussed as well as to engage in networking and collaboration activities with other researchers from other institutions;
- Conferences, seminars, workshops, or lectures held by research centers which are meant to communicate and disseminate findings from University-funded research projects and research efforts; and
- Research experience and opportunity payments made to participants who are *not* enrolled at the institution during the semester in which the payment is made, assuming the participants are engaged in official U of I System research activity.

This functional category would also include any activities related to the University's Research Board. However, these Research Board activities should be coded to NACUBO function **1180**.

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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 for within a unique accounting string are included in this classification. However, the research classification does **not** include expenses for departmental research that are not separately budgeted for within a unique accounting string (these types of activities would be classified in the “Instruction” category instead).

The research classification includes the following three subclasses:

### **1) Institutes and Research Centers**

This subclass includes expenses for research activities that are part of a formal research organization created to manage a number of research efforts. While this subclass includes agricultural experiment stations, it does not include federally funded research and development centers, which are classified as independent operations.

This would also include conferences, seminars, workshops, or lectures held by research centers which are meant to communicate and disseminate findings from University-funded research projects and research efforts.

### **2) Individual and Project Research**

This subclass includes expenses for research activities that are managed within academic departments. Those activities may have been undertaken as the result of a research contract or grant or through a specific allocation of the institution’s own general resources.

### **3) Research Information Technology**

This subclass includes expenses for formally organized and/or separately budgeted research information technology. If an institution does not separately account for information technology resources, the costs associated with the three primary programs— instruction, research, and public service—will be classified as academic support and the remainder as institutional support.

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## 1200 – Public Service

The public service classification includes expenses for activities established primarily to provide ***non-instructional services for the benefit of the general community and the public at large***. These activities include community service programs (excluding instructional activities) and cooperative extension services.

However, the public service classification does ***not*** include expenses for departmental public service activities that are not separately budgeted for within a unique accounting string (these types of activities would be classified in the “Instruction” category instead).

See below for examples of activities which would be classified within this function:

- Non-academic conferences/seminars/workshops which have an emphasis on benefitting the general public and community at large;
  - Examples would include conferences, seminars, and workshops at a county Extension office which focus on general life-skill such as money management, general gardening skills, healthy eating habits, etc.;
- General advisory services and reference bureaus;
- Public radio, public television, and public media services;
- Performing arts centers which have a primary focus of exposing the general public and local community to arts & culture (such as Sangamon Auditorium at UIS);
- Parks and nature centers which have a primary mission of engaging and enriching the community and local citizens in the nature, arts, and natural landscapes (such as Allerton Park);
- Development/fundraising activities and community relation activities within a unit that has a public service focus (such as an Extension office);
  - **Note:** These development/fundraising activities would need coded to a **1299** NACUBO function to ensure proper exclusion from the University’s indirect cost study;
- Public consulting services which benefit the local community;

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- Faculty start-up funding, faculty chairs, faculty professorships, and/or faculty fellowships that will be primarily used for expenses related to public service activities, such as: **(1)** the purchase of supplies for non-academic conferences/seminars/workshops which have an emphasis on benefitting the general public and community at large, or **(2)** faculty salaries attributable towards public consulting services which benefit the local community; and
- Similar non-instructional services offered to particular sectors of the community (such as summer camps offered to the community from a county Extension office).

The public service classification includes the following four subclasses:

### **1) Community Service**

This subclass includes expenses for activities organized and carried out to provide general community services (excluding individual instructional activities) which make various resources and special capabilities that exist within the institution available to the general public and community at large.

Examples of community services include:

- Non-academic conferences and institutes which are intended to benefit the general community;
- General advisory services and reference bureaus;
- Consultation and testing services meant to benefit the general public at large (such as soil testing, plant testing, carbon dating, structural testing); and
- Other similar activities which are meant to benefit the general community and public at large.

### **2) Cooperative Extension Service**

This subclass includes expenses for non-instructional public service activities established as the result of cooperative extension efforts between the institution and outside agencies, such as the U.S. Department of Agriculture's extension service and the affiliated state extension services. The distinguishing feature of activities in this subcategory is that the institution shares programmatic and fiscal control with the Department of Agriculture's extension service, the related state extension services, and agencies of local government. This subclass is intended primarily for land-grant colleges and universities and includes both agricultural extension and urban extension services. Independent institutions rarely use this subclass.

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### **3) Public Broadcasting Services**

This subclass includes expenses for operation and maintenance of broadcasting services operated outside the context of the institution's instruction, research, and academic support programs.

The following broadcasting services are *excluded* from this subclass:

- Broadcasting services conducted primarily in support of instruction, which should be classified in the ancillary support subclass of academic support;
- Broadcasting services operated primarily as a student service activity, which should be classified in the social and cultural development subclass of student services;  
and
- Broadcasting services that are independent operations, which should be classified in the independent operations/institutional subclass of independent operations.

### **4) Public Service Information Technology**

This subclass includes expenses for formally organized and/or separately budgeted public service information technology. If an institution does not separately account for information technology resources, the costs associated with the three primary programs— instruction, research, and public service—will be classified as academic support and the remainder as institutional support.

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## 1300 – 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.

See below for examples of activities which would be classified within this function:

- 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/laboratory schools (such as the University Laboratory High School located at UIUC) or “living laboratories” (such as the gardens, collections, and habitats utilized by students and faculty at the UIUC Arboretum);
  - **Note:** “Demonstration schools” or “laboratory schools” are engaged in activities such as: **(1)** training of future teachers, **(2)** educational experimentation, **(3)** educational research, and/or **(4)** professional development. These “schools” are typically associated with a department, school, or college associated with a teaching program (such as the College of Education) within the University system.
- Academic administration (including academic deans but not department chairpersons) and personnel providing administrative support (such as staff providing accounting and human resource services) and management direction to the three primary missions;
- Academic personnel development;
- Faculty start-up funding, faculty chairs, faculty professorships, and/or faculty fellowships that will be primarily used for expenses related to academic support activities, such as: **(1)** professional development for the faculty member, or **(2)** faculty salaries attributable towards academic administration duties;
- Media services (such as educational media services and audio-visual services);
- Technology services (such as academic computing support);
- Development/fundraising activities and community relation activities within a unit that has an academic focus (such as an Engineering college);
  - **Note:** These development/fundraising activities would need coded to a **1399** NACUBO function to ensure proper exclusion from the University’s indirect cost study;

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- Formal academic counseling activities which are separately budgeted for; and
- Support for course and curriculum development activities which are separately budgeted for.

The academic support classification includes the following eight subclasses:

### **1) Libraries**

This subclass includes expenses for organized activities that directly support the operation of a catalogued or otherwise classified collection.

### **2) Museums and Galleries**

This subclass includes expenses for organized activities that provide for the collection, preservation, and exhibition of historical materials, art objects, scientific displays, etc.

### **3) Educational Media Services**

This subclass includes expenses for organized activities providing audiovisual and other services that aid in the transmission of information in support of the institution's primary programs of instruction, research, and public service.

### **4) Ancillary Support**

This subclass includes expenses for organized activities that provide support services to the three primary programs of instruction, research, and public service, but that are not appropriately classified in the previous subclasses.

Ancillary support activities usually provide a mechanism through which students can gain practical experience. Examples of ancillary support would include veterinary medicine clinics (or dental clinics) where veterinary students (or dental students) can obtain real, practical experience in a live setting.

However, note that this would **exclude** activities of teaching hospitals, as hospital expenses have their own functional classification.

### **5) Academic Administration**

This subclass includes expenses for activities specifically designed and carried out to provide administrative and management support to the academic programs. This subclass is intended to separately identify expenses for activities formally organized and/or separately budgeted for academic administration. It includes the expenses of academic deans (including deans of research, deans of graduate schools, academic deans, and college deans), but it does **not** include the expenses of department chairpersons (which are included in the appropriate primary function categories).

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This subclass also includes expenses for formally organized and/or separately budgeted academic advising.

Expenses associated with the office of the chief academic officer of the institution are **not** included in this subclass, but should be classified as institutional support due to the institution-wide nature of that individual's responsibilities.

#### **6) Academic Personnel Development**

This subclass includes expenses for activities that provide the faculty with opportunities for personal and professional growth and development to the extent that such activities are formally organized and/or separately budgeted.

This subclass also includes formally organized and/or separately budgeted activities that evaluate and reward professional performance of the faculty. Included in this subclass are sabbaticals, faculty awards (i.e., awards paid out to faculty members via payroll for outstanding performance), and organized faculty development programs.

However, note that this does **not necessarily include** faculty chairs, faculty fellowships, and faculty professorships (which all differ from faculty awards). Activities for faculty chairs, faculty fellowships, and faculty professorships should be coded to the applicable NACUBO function which accurately depicts how the professor will utilize that funding – thus, there is no one set rule that can be applied to them, since they could be utilized for a variety of expenditures.

For example, if a professor utilizes their faculty chair funding for research activities, then that would need to be coded as “Research”. However, if another professor uses their professorship money for professional development, then that would need coded as “Academic Support”. It really depends how the professor will utilize the funding in those cases.

#### **7) Course and Curriculum Development**

This subclass includes expenses for activities established either to significantly improve or to add to the institution's instructional offerings, but only to the extent that those activities are formally organized and/or separately budgeted for within a unique accounting string.

#### **8) Academic Support Information Technology**

This subclass includes expenses for formally organized and/or separately budgeted academic support information technology. If an institution does not separately account for information technology resources, the costs associated with the institution's three primary programs—instruction, research, and public service—will be included to this subclass and the remainder will be included in institutional support.

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## 1400 – Student Services

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.***

See below for examples of activities which would be classified within this function:

- Student activities, student programming, and student group organizations operating under the control of the institution;
- Student cultural events;
- Performing arts centers which have a primary focus of educating and exposing the student population to arts & culture (such as the Krannert Center for Performing Arts at UIUC);
- Student newspapers;
- Extracurricular student activities which contribute to the students' well-being but which are not explicitly connected to academic learning (such as intramural athletics);
- Personal counseling service activities from a student counseling center;
- Career guidance activities from a career planning or career counseling office;
- Student internship activities which have a primary focus of preparing students for their post-degree careers (excluding credit-bearing student internship activities which are a required part of a course, which would fall under Instruction);
- Financial aid and student aid administration;
- Student admissions and student recruiting;
- Student records;
- Student health service (if not operated as an auxiliary enterprise);

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- Development/fundraising activities and community relation activities within a unit that has a student-services based focus (such as an Athletic department or career counseling department);
  - **Note:** These development/fundraising activities would need coded to a **1499** NACUBO function to ensure proper exclusion from the University's indirect cost study;
- Operating expenses for intercollegiate athletic programs (if the program is not operated as an auxiliary enterprise);
  - This would also include intercollegiate athletic summer camps and intercollegiate athletic Hall of Fame activities;
- Supplemental funding provided (such as from a gift fund) to support and subsidize student loans; and
- Supplemental funding provided (such as from a gift fund) for study abroad programs.

The student services classification includes the following eight subclasses:

### **1) Student Services Administration**

This subclass includes expenses for organized administrative activities that provide assistance and support (excluding Academic Support) to the needs and interests of students. This subclass includes only administrative activities that support more than one subclass of student activities and/or that provide central administrative services related to the various student service activities.

Some institutions consolidate various activities in a unit titled enrollment management. Expenses of an enrollment management unit would be included in this subclass.

This subclass includes services provided for particular types of students (for example, minority students, veterans, and disabled students).

Excluded from this subclass are activities of the institution's chief administrative officer for student affairs, whose activities are institution wide and therefore should be classified as Institutional Support.

### **2) Social and Cultural Development**

This subclass includes expenses for organized activities that provide for students' social and cultural development outside the formal academic program. It includes cultural events, student newspapers, intramural athletics, student organizations, etc.

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This would also include expenses for performing arts centers who have a primary focus on educating and exposing the student population to culture and the arts (such as musical performances, plays, dancing, performing arts, etc.)

Excluded from this subclass are expenses for an intercollegiate athletics program that is operated as an auxiliary enterprise.

### **3) Counseling and Career Guidance**

This subclass includes expenses for formally organized placement, career guidance, and personal counseling services for students. It includes vocational testing and counseling services and activities of the placement office.

Excluded from this subclass are formal academic counseling activities (which are included in Academic Support) and informal academic counseling services provided by the faculty in relation to course assignments (which are included in Instruction).

### **4) Financial Aid Administration**

This subclass includes expenses for activities that provide financial aid services and assistance to students. This subclass does *not* include outright scholarship or fellowship grants to students (see NACUBO function 17nn).

### **5) Student Admissions & Student Recruiting**

This subclass includes expenses for activities related to the identification of prospective students, the promotion of attendance at the institution, and the processing of applications for admission.

### **6) Student Records**

This subclass includes expenses for activities to maintain, handle and update records for currently and previously enrolled students.

### **7) Student Health Services**

This subclass includes expenses for organized student health services that are not self-supporting (health services that are self-supporting are reported as auxiliary enterprises).

### **8) Student Services Information Technology**

This subclass includes expenses for formally organized and/or separately budgeted student services information technology. If an institution does not separately account for information technology resources, the costs associated with the three primary programs— instruction, research, and public service—will be classified as academic support and the remainder as institutional support.

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## 1500 – Institutional Support

The institutional support classification includes expenses for *central, executive-level activities concerned with management and long-range planning for the entire institution.*

See below for examples of activities which would be classified within this function:

- The governing board;
- Planning and programming operations;
- Legal services;
- Fiscal operations, including the investment office;
- Administrative information technology and administrative computing support for institutional-wide offices (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;
- Institutional-wide support services from a central, executive-level office to faculty and staff that are not operated as auxiliary enterprises; and
- Institutional-wide activities with a focus on community and alumni relations, including development and fundraising efforts by central, executive level offices (such as the President's Office).
  - **Note:** These development/fundraising activities would need coded to a **1599** NACUBO function to ensure proper exclusion from the University's indirect cost study;

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 five subclasses:

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### **1) Executive Management**

This subclass includes expenses for all central, executive-level activities concerned with management and long-range planning for the entire institution (as distinct from planning and management for any one program within the institution). This subclass includes such operations as executive direction (for example, governing board), planning and programming operations, legal, risk, compliance, and internal audit operations.

All officers with institution-wide responsibilities are included, such as the president, chief academic officer, chief business officer, chief student affairs officer, chief research officer, chief enrollment management officer, and chief advancement officer.

### **2) Fiscal Operations**

This subclass includes expenses for operations related to fiscal control and investments. It includes the accounting office, bursar's office, and external audits.

Independent institutions also include interest expense on working capital borrowings and any un-allocable interest expense in this subclass. Public institutions report all interest in a separate classification as a non-operating expense.

Both independent and public institutions include bad debt expense arising from student loans in this subclass. Independent institutions also include bad debts arising from student and other accounts receivables. Public institutions, however, record bad debts from receivables (other than student loans) as a reduction of the specific revenue source that generated the receivable (e.g., tuition, auxiliary fees) rather than as an expense.

### **3) General Administration**

This subclass includes expenses for activities related to general administrative operations and services, with the exception of fiscal operations and administrative information technology. Included in this subclass are personnel administration, space management, purchasing and maintenance of supplies and materials, campus-wide communications, transportation services, general stores, and printing shops.

### **4) Public Relations/Development**

This subclass includes expenses for activities to maintain relations with the community, alumni, or other constituents and to conduct activities related to institution-wide development and fundraising.

### **5) Administrative Information Technology**

This subclass includes expenses for formally organized and/or separately budgeted administrative information technology. If an institution does not separately account for information technology resources, the costs associated with the three primary programs— instruction, research, and public service— will be classified as academic support and the remainder as institutional support.

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## 1600 – Operation 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.*

See below for examples of activities which would be classified within this function:

- 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 and safety (such as campus police);
- Earthquake, tornado, and other similar disaster-related preparedness;
- 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). Operation and maintenance of plant is one of the classifications of expense that public institutions will be required allocate among the other functional classifications in the expenses section (Part C) of the IPEDS Finance Survey beginning in FY 2010 (that is, the survey submitted in 2011). For public institutions, this classification does **not** include interest expense on plant-related debt.

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

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### **1) Physical Plant Administration**

This subclass includes expenses for administrative activities that directly support physical plant operations. Activities related to the development of plans for plant expansion or modification, as well as plans for new construction, should be included in this subclass. Also included are property, liability, and all other insurance relating to property.

### **2) Building Maintenance**

This subclass includes expenses for activities related to routine repair and maintenance of buildings and other structures, including normally recurring repairs and preventive maintenance.

### **3) Custodial Services**

This subclass includes expenses related to custodial services in buildings.

### **4) Utilities**

This subclass includes expenses related to heating, cooling, light and power, gas, water, and any other utilities necessary for operation of the physical plant.

### **5) Landscape and Grounds Maintenance**

This subclass includes expenses related to the operation and maintenance of landscape and grounds.

### **6) Major Repairs and Renovations**

This subclass includes expenses related to major noncapital repairs, maintenance, and renovations. Minor repairs should be classified as building maintenance. The institution should establish criteria to distinguish between major repairs and minor repairs. However, this subclass *excludes* costs that will be capitalized in accordance with the institution's capitalization policy.

### **7) Security and Safety**

This subclass includes expenses related to security (such as campus police and public safety services); earthquake, tornado, and other disaster-related preparedness; safety (including environmental safety); and hazardous waste disposal.

### **8) Logistical Services**

This subcategory includes expenses related to logistical services such as central receiving as well as space and capital leasing.

### **9) Operations and Maintenance Information Technology**

This subcategory includes expenses for formally organized and/or separately budgeted operation and maintenance information technology. If an institution does not separately account for information technology resources, the costs associated with the three primary programs—instruction, research, and public service – will be classified as academic support and the remainder as institutional support. [Click here to go back to the top of the document](#)

## [17nn – Scholarships, Fellowships, and Student Prizes & Awards](#)

The scholarships and fellowships classification includes expenses for scholarships and fellowships (from restricted or unrestricted funds) 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, these scholarships and fellowships may result from selection by the institution or from an entitlement program. This classification also includes student prizes/awards as well as trainee stipends, assuming the trainee is enrolled in formal course work (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 ***excludes*** student awards that are made ***in exchange for services provided to the institution*** (such as graduate teaching assistantships or 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 (note that 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).

The scholarships and fellowships classification includes the following subclasses:

### **1) Scholarships (1787)**

This subclass includes scholarships and tuition/fee waivers to undergraduate, graduate, or professional program students. Scholarships are amounts paid for the benefit of an individual to aid in the pursuit of study or research. They are generally paid to or for the benefit of students at an educational institution, to aid in the pursuit of their studies or related research. No past, present or future services are expected in return for these payments, nor are recipients expected to repay them.

These payments typically support the educational expenses and needs of a student which are primarily for the benefit of the student's academic development, such as tuition; fees; room; board; supplies (such as those provided as a part of a research scholarship); and travel expenses (such as those provided as a part of a travel scholarship).

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Scholarships designated for **qualified** expenses (i.e., tuition and mandatory fees, books, or supplies) are not taxable income to the recipient. However, scholarship payments for **unqualified** expenses (e.g., room, board, travel, research, non-mandatory fees, books or supplies) are taxable income to the recipient. It is the student's responsibility to determine and report to the IRS taxable scholarships, fellowships and/or grants received.

For further details on guidance related to this area, see <https://www.obfs.uillinois.edu/payments-students/>.

## 2) Fellowships (1785 for Postdoctoral Fellowships & 1788 for Graduate Student Fellowships)

This subclass includes fellowships to postdoctoral fellows (1785) or graduate students (1788). Fellowships are amounts paid for the benefit of an individual to aid in the pursuit of study or research. They are generally paid to or for the benefit of students at an educational institution, to aid in the pursuit of their studies or related research. No past, present or future services (such as teaching) are expected in return for these payments, nor are recipients expected to repay them.

These payments typically support the educational expenses and needs of a student which are primarily for the benefit of the student's academic development, such as tuition; fees; room; board; supplies; and travel.

Fellowships designated for **qualified** expenses (i.e., tuition and mandatory fees, books, or supplies) are not taxable income to the recipient. However, scholarship payments for **unqualified** expenses (e.g., room, board, travel, research, non-mandatory fees, books or supplies) are taxable income to the recipient. It is the student's responsibility to determine and report to the IRS taxable scholarships, fellowships and/or grants received.

Research experience and opportunity payments made to participants who **are enrolled** at the institution during the semester in which the payment is made would also be coded to this classification.

For further details on guidance related to this area, see <https://www.obfs.uillinois.edu/payments-students/>.

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### **3) Student Prizes & Awards (1789)**

This subclass includes student prizes and awards typically awarded through a contest or competition, or in recognition of some sort of charitable, scientific, educational, artistic, literary, or civic achievement, and are not restricted to educational purposes.

Though not related to employment services, a prize or award is generally taxable income to the recipient regardless of the funding source. Typically, no restrictions are placed on how the student can use the award money. If restrictions are imposed (e.g., the donor stipulates that funds must be used for education expenses, travel, or room and board), then the payments are no longer considered prizes or awards, and must be processed as scholarships or educational assistance grants.

For further details on guidance related to this area, see <https://www.obfs.uillinois.edu/payments-students/>.

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## **2000 – Auxiliary Enterprises**

An auxiliary enterprise exists to *furnish goods or services to students, faculty, or staff* (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. Hospitals, although they may serve students, faculty, or staff, are classified separately because of their financial significance.

The auxiliary enterprise category includes all expenses relating to the operation of auxiliary enterprises. Because of a desire to assess whether the enterprise is self-supporting, 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. (Independent institutions, however, are required to make the allocation.) 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:

### **1) Auxiliary Enterprises—Student**

This subclass includes expenses for auxiliary enterprise activities primarily intended to furnish services to students. A student health service, when operated as an auxiliary enterprise, is included. Other examples include services provided and sold to students for study abroad programs, campus recreational facilities, housing, etc.

However, intercollegiate athletics are excluded from this category.

### **2) Auxiliary Enterprises—Faculty/Staff**

This subclass includes expenses for auxiliary enterprise activities primarily intended to provide a service to the faculty, staff, or both. Such activities include the faculty club, faculty-staff parking, and faculty housing.

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### **3) Auxiliary Enterprises—Other**

This subclass includes expenses for auxiliary enterprise activities primarily intended to furnish goods and services that are related to the higher education mission. Customers for these goods and services generally are not students, faculty, or staff. Entities of this type are formed to meet the geographic and public service needs of a region and generally relate to an institution's mission of teaching, research, or public service. Examples of such an entity would be a drug testing center or a university press department.

### **4) Auxiliary Enterprises Information Technology**

This subclass includes expenses for formally organized and/or separately budgeted auxiliary enterprise information technology. If an institution does not separately account for information technology resources, the costs associated with the three primary programs—instruction, research, and public service—will be classified as academic support and the remainder as institutional support.

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## **3000 – Hospitals**

The hospital classification includes all expenses associated with the *patient care operations of a hospital, including nursing and other professional services, general services, administrative services, and fiscal services.*

Because of a desire to assess whether the hospital is self-supporting, an allocation of expenses for operation and maintenance of plant, depreciation, and interest may be included, even though that allocation is not required of public institutions for financial statement purposes. (Independent institutions, however, are required to make the allocation.) Also included are other direct and indirect costs, whether charged directly as expenses or allocated as a proportionate share of costs of other departments and units.

Expenses for activities that take place within the hospital, but that are categorized more appropriately as instruction or research, are excluded from this classification and accounted for in their appropriate classifications.

The hospitals classification includes the following six subclasses:

### **1) Direct Patient Care**

This subclass includes expenses for direct patient care such as prevention, diagnosis, treatment, and rehabilitation. Patient care activities solely for the benefit of the institution's students should be classified within student services.

### **2) Health Care Supportive Services**

This subclass includes expenses for organized activities that are unique to a teaching hospital, health services center, or clinic, and that directly support the provision of health care but cannot be considered part of the provision of direct patient care. Included in this subcategory are such activities as the pharmacy, blood bank, and X-ray services.

### **3) Administration of Hospitals**

This subclass includes expenses for both the day-to-day functioning and the long-range viability of the hospital, excluding physical plant operations.

### **4) Physical Plant Operations for Hospitals**

This subclass includes expenses for activities related directly to maintaining the grounds and facilities of a hospital as well as providing utility services. Like operation and maintenance of plant, this is not a functional classification for an independent institution. However, it might be used internally to accumulate costs, which would be combined with other hospital costs in the statement of activities.

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## **5) Hospital Information Technology**

This subcategory includes expenses for formally organized and/or separately budgeted hospital information technology. If an institution does not separately account for information technology resources, the costs associated with the three primary programs— instruction, research, and public service—will be classified as academic support and the remainder as institutional support.

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## **4000 – Independent Operations**

The independent operations classification includes the expenses of *separately organized operations owned or controlled by an institution that are unrelated to, or independent of, the institution's mission but that may enhance its mission.*

This classification generally is limited to expenses associated with commercial enterprises and specific federally funded research and development centers (FFRDCs) operated by the institution but not established to provide services primarily to students, faculty, or staff. A prime example would be an operation such as Willard Airport.

Activities operated as auxiliary enterprises (that is, those established to provide a service to students, faculty, or staff and charging a fee related to the cost of the service) are **excluded** from this classification, as are operations with commercial aspects that primarily support instruction, research, and/or public service (e.g., hospitals and ancillary support activities are excluded).

Also **excluded** are expenses associated with property owned and managed as investments of the institution's endowment funds.

The relationship between the institution and the independent operation needs to be carefully examined to determine the proper accounting. Independent institutions need to determine if the relationship requires consolidation of the independent operation or use of the equity method of accounting (if the independent operation is a corporation).

If the entity is not a separate legal entity, the nature of the independent operation needs to be evaluated. Depending upon the nature of the contractual relationship between the institution, the FFRDC and the federal sponsoring agency, the accounting may vary between recognizing all of the revenues and expenses of the FFRDC in the institution's financial statements and just recognizing the institution's management fee for operating the FFRDC. In many cases, the employees of the FFRDC are in fact employees of the institution and the nature of the relationship is like other large research contracts or grant agreements. In those circumstances, the revenues and expenses of the FFRDC should be consolidated with the institution.

The independent operations classification includes the following two subclasses:

### **1) Independent Operations/Institutional**

This subclass includes separately organized operations owned or controlled by an institution but unrelated to, or independent of, the institution's missions and that are not federally funded research and development centers (FFRDCs).

### **2) Federally-Funded Research and Development Centers (FFRDCs)**

The National Science Foundation periodically publishes a list of all FFRDCs located at [NSF list of FFRDCs](#). [Click here to go back to the top of the document](#)

## **5000 – Stores and Services**

*NACUBO includes stores and services as a subcategory of “Auxiliary Enterprises, Auxiliary Enterprises—Other, and Other Self-Supporting Enterprises”. However, the University of Illinois System has opted to create a separate Level 1 Banner reporting category for Stores and Services, rather than include it in the Auxiliary Enterprises roll-up. This decision was made to accommodate the University’s financial reporting practice of netting internal stores and services revenue and expenditures, and reporting the net amount under “Institutional Support.” In turn, this decision was presumably made based on the inclusion of “general stores” in the NACUBO definition of the Institutional Support subcategory for “General Administration”. The definition is included in NACUBO’s published definitions as a subcategory of “Auxiliary Enterprise, Auxiliary Enterprises—Other, and Other Self-Supporting Enterprises.” Note that in University of Illinois System practice, this category includes all self-supporting stores and service operations, regardless of whether they function at an institutional, college, or departmental level.*

**Other Self-Supporting Enterprises** – This subclass includes activities that were established primarily to provide goods and services to other campus units on a fee-for-service basis. The following characteristics assist in identifying these units:

- They are self-supporting units that, over time, operate on a break-even basis for those goods and services offered to other units;
- They may provide, to a lesser extent, the same goods and services to faculty, staff, students, and related entities; and
- The goods and services are provided at an institutional level. This characteristic excludes enterprises that only serve units within the same department.

For example, a telecommunications department that services the entire institution would be considered a self-supporting enterprise while the chemistry stores department that only services other chemistry units would be reported net within the academic support classification.

This classification does not preclude the current reporting practices for entities included in other functional categories.

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## **Supplemental Notes on NACUBO Functions**

### **Depreciation**

*Although NACUBO lists “**Depreciation**” as a separate function, the University of Illinois System records depreciation as a single amount in plant funds for each University in total, rather than allocating it to operating funds. Therefore, no Program codes or hierarchy for depreciation have been established in Banner. The following is the NACUBO published definition for depreciation:*

Depreciation expense is calculated in accordance with the institution’s capitalization and depreciation policies. For public institutions, depreciation expense may be considered either as a functional or a natural expense classification. When expenses are reported by functional classification in the SRECNP, depreciation expense can be allocated to the other functional classifications (such as instruction, research and student services) or allocated only to operation and maintenance of plant expenses, or reported separately. When depreciation expense is reported as its own functional classification, depreciation for all activities (educational and general, auxiliary enterprises, and hospitals) may be combined and reported as one amount in the SRECNP. The majority of public institutions report depreciation as a separate functional classification, in some fashion.

The allocation methodology for both independent and public institutions may be either a simple one or complex one. Generally, depreciation expense for buildings may be allocated based on the usage of the buildings. This is accomplished by a periodic inventory of the usage of the space in each building. Depreciation expense on equipment may be allocated to other functions based on the location of the equipment and the use of that space. This is also accomplished through a periodic inventory of the equipment.

*As presented in NACUBO’s published definitions under “Auxiliary Enterprises”:*

**Auxiliary Enterprises—Depreciation** – This subclass includes depreciation expense for facilities, equipment, and infrastructure assets of the institution’s auxiliary enterprises. Independent institutions are required to allocate depreciation among their functional classes. Public institutions may report depreciation expense separately, include it with operation and maintenance of plant expenses, or allocate it among all the functional expense classifications. If a public institution chooses to report depreciation as a separate line item or to include all depreciation in the operation and maintenance of plant classification, this subclass would not be used.

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*As presented in NACUBO's published definitions under "Hospitals":*

**Depreciation of Hospital Facilities and Equipment** – This subclass includes depreciation expense for facilities, equipment, and infrastructure assets of the hospital. Independent institutions are required to allocate depreciation among their functional classes. Public institutions may report depreciation expense separately, include it with operation and maintenance of plant expenses, or allocate it among all the functional expense classifications. If a public institution chooses to report depreciation as a separate line item or to include all depreciation in the operation and maintenance of plant classification, this subclass would not be used.

### **Intercollegiate Athletics**

*NACUBO offers two options for recording intercollegiate athletics: (1) under Student Services, or (2) under Auxiliary Enterprises. The University of Illinois System has opted to include this activity under **Student Services**, because a significant portion of its operations is supported by fundraising and donations rather than solely from sales of tickets and merchandise.*

*The following description is included under Auxiliary Enterprises in NACUBO's published definitions, but keep in mind that we classify these activities as **Student Services** from a NACUBO perspective:*

**Intercollegiate Athletics** – This subclass includes expenses for an intercollegiate sports program when the program is operated in accordance with the definition of an auxiliary enterprise (that is, it is essentially self-supporting).

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