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INTRODUCTION

The reporting of revenues and expenditures provides a basis for understanding an organization’s budgetary priorities. In order for decision-makers to understand these priorities and to make well-informed policy decisions, uniform reporting is essential. This is especially true for state government and public higher education, which must be accountable to the citizens of the state for the management of public resources. The Missouri Coordinating Board for Higher Education (CBHE) is responsible for facilitating the financial reporting process as part of its statutory obligation to prepare a consolidated budget request for the state’s system of higher education. To the extent that CBHE and the Missouri Department of Higher Education (MDHE) is able to increase the consistency and reliability of the data, while making the reporting process as easy as possible, this will help to inform decision-making about public higher education in Missouri.

This revision of the MDHE Uniform Financial Reporting Manual uses some definitions from previous versions, discusses the new financial form to report current fund revenues and expenditures, and is intended to clarify some areas of potential inconsistency. This manual utilizes programs developed by the National Association of College and University Business Officers (NACUBO) as its basis. The new financial form shows revenues and expenditures as sources and uses which lends itself to budgeting better than strict GASB reporting. Given the complicated nature of financial reporting at higher education institutions it is likely that this manual will remain a work in progress for some time. With this in mind, CBHE would like to encourage institutions using this manual to provide feedback to the Department of Higher Education (DHE) about the guidance that is provided in this publication in order that we may strive to make these instructions clearer, more accurate, and more useful.
FINANCIAL FORM: CURRENT FUNDS REVENUES AND EXPENDITURES

Uniform reporting of higher education revenues and expenditures requires a standard structure for classifying and displaying data. This form reports revenues and expenditures both by natural classification (i.e. salaries & wages, benefits, other operating expenditures) as well as by the NACUBO program classification structure (PCS). The nine major PCS categories are defined in the document. Institutions should complete a separate form for each of the prior two years actual revenue and expenditure data and for the current year budget.

Two points should be made concerning the use of the new financial form.

1. It is intended to include all current fund revenue, expenditures and transfers. In other words, it includes all educational and general revenues and expenditures from both unrestricted and restricted sources PLUS separately identified auxiliary enterprises. Excluded from the form are plant funds, endowment funds, and institutional loan funds.

2. In order for the program structure to be valid as a device for data collection and reporting, the institution must closely adhere to the definitions provided for each category and subcategory. Please note that auxiliary enterprises have their own PCS category and are reported in a separate column of the new financial form.
<table>
<thead>
<tr>
<th>Revenues</th>
<th>General Operations</th>
<th>Other Unrestricted E&amp;G **</th>
<th>Auxiliary Operations</th>
<th>Total Unrestricted</th>
<th>Restricted Non-Grants *</th>
<th>Grants &amp; Contracts</th>
<th>Total Restricted</th>
<th>Total Current Funds</th>
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* Restricted Non-Grants includes expendable gifts, endowments and restricted state appropriation funds.
** Unrestricted Education and General (E&G) includes service operations, continuing ed. and self insurance funds.

Expenditures by Program Classification

<table>
<thead>
<tr>
<th>Instruction</th>
<th>Research</th>
<th>Public Service</th>
<th>Academic Support</th>
<th>Student Services</th>
<th>Institutional Support</th>
<th>Operation &amp; Maintenance of Plant</th>
<th>Scholarships &amp; Fellowships</th>
<th>Total E&amp;G Expenditures</th>
<th>Auxiliaries</th>
<th>Hospitals</th>
<th>Total Expenditures by Program Classification</th>
</tr>
</thead>
</table>

Can omit detail columns G&H & instead report Total Restricted column I
COLUMNA DEFINITIONS: FUND GROUPS

The far right column of the new report will show Total Current Funds. Current funds include resources of the institution that are expendable for any purpose directly related to the primary missions of the institution, i.e., instruction, research, and public service, as well as related support services. Current funds can be divided into restricted and unrestricted funds. Restricted funds are those that are restricted in use by a third party such as the donor or supporting agency. The unrestricted current funds budget is made up of general operation funds, as well as other unrestricted units including auxiliary enterprises, continuing education, service operations, and self-insurance funds.

General Operations: The general operations fund is where the majority of the instructional and public service activities are budgeted and accounted for. This is the part of the institution’s budget that is funded primarily by tuition and fees and state appropriations for operations.

Other Unrestricted Educational and General (E&G): Other Unrestricted Current Funds are self-supporting activities or cost centers that include tuition and fees from continuing education activities and activities of service operations. This is an optional column on the form. Many institutions may account for these activities in their Operation Funds.

- **Continuing Education**: The continuing education component of the budget is where most off-campus and non-credit instructional activities are budgeted and accounted for.

- **Service Operations**: Service operations provide a specific type of service to departments or other organizational units within the University rather than to individuals. These activities are supported by internal charges to the using department. Examples include campus computing, mail operations, printing services, telephone services, and science instrument shops.

- **Self Insurance Funds**: The self-insurance funds budget includes medical benefits, dental benefits, educators’ legal liability, medical malpractice, auto and general liability, long-term disability, and workers’ compensation. Required self-insurance fund trust balances or reserves, investment earnings on those reserves, required employer and employee contributions, benefits paid from the trusts, and operating expenses of the trusts are recorded in this fund group. Self insurance funds are an important component of the
budget that can have material swings from year to year based on employee benefits paid relative to required contributions to the self-insurance funds and changes in required reserve levels, all of which can cause variability in net assets.

**Auxiliary Operations:** Auxiliary enterprises are self-supporting activities whose services are provided primarily to individuals in the University community such as students, faculty, and staff, and may incidentally include services to the public. Examples include residential life, bookstores, parking, intercollegiate athletics and University Physicians operations.

**Restricted Current Funds:** Restricted funds are comprised of grant and contract activities, as well as activities funded by endowment distributions, gifts, and restricted state appropriations. There are 2 columns provided for this breakout as some activities are budgeted and accounted for on a fiscal year basis while grant and contract activities are budgeted individually as projects. However, some institutions may prefer to report all information in the Total Restricted column.

This form presentation is limited to the Current Funds which are the operating funds of the institution. Therefore all Loan, Endowment and Plant Funds are excluded from these reports (although there may be transfers out of operation funds going to plant funds). For reference loan funds are used to record activity on funds available for loans to students. Endowment and similar funds includes all gifts, bequests, and other funds directed to be used to support a University program in perpetuity. The plant fund group is used to record acquisition of assets, replacement of assets, pay off debt, and record the investment in assets (equity), from both current expenditures and reserves for renewal and replacement.
ROW DEFINITIONS: ACCOUNT AND PCS GROUPS

Revenues:
The revenue category includes all operating gifts, grants and other resources earned or appropriated during the reporting period.

Interdepartmental transactions between service departments and storerooms and other institutional departments or offices should not be reported as revenues of the service departments, but rather as internal sales and which result in reductions of expenditures of such departments since these transactions are interdepartmental transfers of costs. The billed price of services and materials obtained from service departments and central stores by offices and departments of the institution should be accounted for as regular expenditures just as if they had been obtained from sources outside the institution.

Sales and services of auxiliary enterprises to other departments (for example, catering by the food services department for the entertainment of institutional guests and sales by the college store to instructional departments) should be treated as sales and services revenues of the respective auxiliary enterprises and as expenditures of the unit receiving the services or materials.

Revenues should be grouped into the following major classifications by source of funds:

- Tuition and Fees
- Scholarship Allowance/Expense
- State Appropriations
- Federal Appropriations
- Local Tax Revenue
- Federal Grants and Contracts
- Federal Pell Grants
- State Grants and Contracts
- Other Government Grants and Contracts
- Other Grants and Contracts
- Gift Revenues
- Recovery of F&A/Indirect Costs (Administrative Allowance)
- Endowment and Investment Income
- Sales and Services/Net Auxiliary Revenue
- Other Income
Tuition and Fees
The tuition and fees category includes all tuition and fees assessed (net of refunds) for educational purposes. Tuition and fee remissions or exemptions should be included as revenue although there is no intention of collection from the student. The amounts of remissions or waivers should be recorded as Scholarship Allowances/Expense or as employee benefits associated with the appropriate expenditure category to which the personnel relate.

If some portion of tuition or fees is allocated for other than operating purposes by the governing board or management, or subject to change by the governing board alone, the entire amount should be recorded as unrestricted current funds revenues as Tuition and Fees (or as Auxiliary Revenue) and the portion allocated should be treated as a non-mandatory transfer to the appropriate fund group (typically plant funds).

If an all-inclusive charge is made for tuition, board, room and other services, a reasonable distribution should be made between revenues for tuition and revenues for sales and services of auxiliary enterprises.

Scholarship Allowance/Expense
Scholarship, fellowships, waivers and scholarship expenses should be reported on this line. This includes both the portion that is typically reported as a reduction of revenues and the scholarship expense portion per your GASB audited financial statements.

Governmental Appropriations/Taxes – State, Federal, and Local
The government appropriations category includes all amounts received or made available to an institution by legislative acts (including those for technical education) for current operations and restricted amounts from these sources to the extent expended for current operations. This category does not include governmental grants and contracts. Amounts paid directly into a state or local retirement system by the appropriating government on behalf of the college or university should be recorded as revenue of the institution. The government appropriation category does not include institutional fees and other income reappropriated by the legislature to the institution. In Missouri debt offset appropriations would fall under this category.

Government appropriations can be unrestricted or restricted. If the governing board is allowed to designate the use of the appropriated funds, the funds should be classified as unrestricted. If the restrictions placed on the appropriations limit their use, they should be classified as restricted
funds. For the most part, the general appropriation received by a college or university can be classified as current unrestricted revenue. For the purposes of reporting state appropriations to MDHE for budget purposes, it is important that institutions treat all state operating appropriations as unrestricted revenues, including maintenance and repair, workforce preparation, and regional technical education program funding. This may result in different treatment of state appropriations than in the audited financial statements, but uniform reporting is essential to the usefulness and consistency of the data. In some cases, however, additional moneys are provided to support special initiatives. These amounts may be more appropriately classified as current restricted funds, unless prohibited by the governmental entity. If an institution determines that appropriations for a particular initiative should be considered restricted, please contact MDHE to discuss how the initiative should be reported on budget forms.

Governmental appropriations should be classified to identify the governmental level – federal, state, or local – of the legislative body making the appropriation. For example, if the federal government stipulates a specific use for some funds that merely flow through the state to the institution, the funds should be classified as federal funds. However, if the federal government distributes funds to the state for unspecified general purposes (for example, general revenue sharing), and the state then appropriates all or a portion of those funds, the funds received by the institution should be classified as state rather than federal funds.

Local Tax Revenues received for operations should be reported on the Local Tax Revenue line.

**Government Grants and Contracts – Federal State and Other**

The government grants and contracts category includes all amounts received or made available through grants, contracts and cooperative agreements from governmental agencies for current operations. The level of the government agency should be disclosed using the same criterion described for governmental appropriations. Federal Pell Grants should be reported on a separate line. Government Grants and Contracts should be reported in the Restricted Funds column typically.

**Other Grants and Contracts**

The other grants and contracts category includes amounts from non-governmental organizations and individuals including funds resulting from contracting for the furnishing of goods and services of an instructional, research or public service nature. Grants and contracts from foreign governments should be included here.
Gift Revenues
The category includes all gifts and bequests used for operating purposes. Gifts for capital or endowment and similar purposes would not be included.

Recovery of F&A/Indirect Costs
All recovery of facilities and administrative costs on grants and contracts for use by unrestricted general operations are to be reported in this category. This is sometimes referred to as indirect cost recovery and administrative allowances.

Endowment and Investment Income
Included in this category are:
1. Unrestricted income from endowment and similar funds used for operations.
2. Restricted income from endowment and similar funds to the extent expended for current operations (i.e. annual distributions from endowment funds.)
3. Investment income used to fund operations.

Sales and Services of Educational Activities/Net Auxiliary Revenue
The sales and services of educational activities category includes revenues that are related incidentally to the conduct of instruction, research and public service and revenue of activities that exist to provide an instructional and laboratory experience for students and that incidentally create goods and services that may be sold to students, faculty, staff and the general public. The type of service rendered takes precedence over the form of agreement by which these services are rendered. Examples of revenue of educational activities are film rentals, sales of scientific and literary publications, testing services, and sales of products and services of dairy creameries, food technology divisions, poultry farms, and health clinics (apart from student health services) that are not part of a hospital. Revenues generated by hospitals (including health clinics that are a part thereof) should be classified as sales and services of hospitals.

If sales and services to students, faculty or staff, rather than training or instruction, is the purpose of an activity, the revenue should be classified as sales and services of auxiliary enterprises or hospitals. Scholarships or other student aid that is applied against student fees that are reported as auxiliary revenues would also be reported on this line, resulting in Net Auxiliary revenue.
Institutions should not take revenues received from sales and services of educational departments and offset them against departmental expenditures. This would have a netting effect, obscuring economic events and understating the costs of education.

**Other Income**
The other income category includes all sources of current funds revenue not included in other classifications.

**Transfers:**

Transfers include the movement of funds from one fund category to another. These may be internal to the current funds or from the current funds to loan funds, endowment and similar funds, or plant funds. They may be determined by administrative policy (non-mandatory) or required by a third party (mandatory - i.e. debt service). All transfers may be combined into a single line for this reporting purpose.

**Expenditures:**

Expenditures should be grouped by account by natural classification in the sources and uses portion of the form. In the bottom section of the form, expenditures are also reported by PCS category.

**Program Classification: Instruction**
The instruction category includes expenditures for all activities that are part of an institution's instructional program. Expenditures for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions should be included. To ensure uniform accounting, all faculty sabbaticals, professional leaves, early retirement and related costs of instructional staff should be included as a cost of the instructional program.

Subprograms of Instruction are:

1.1 On-campus Instruction for Credit ([Program 11](#))
1.3 Community Education ([Program 12](#))
1.4 Off-campus Instruction for Credit ([Program 13](#))
Program Classification: Research (Program 20)

The research category should include all expenditures for activities specifically organized to produce research outcomes, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Subject to these conditions, it includes expenditures for individual and/or project research as well as those for institutes and research centers. This category does not include all sponsored programs (training grants are an example), nor is it necessarily limited to sponsored research since internally supported research programs, if separately budgeted, might be included in this category under the circumstances described above. Expenditures for departmental research that are separately budgeted specifically for research are included in this category. General research support is not included.

Subprograms of Research are:
   2.1 Institutes and Research Centers
   2.2 Individual or Project Research

Program Classification: Public Service (Program 25)

The public service category should include funds expended for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this category are conferences, institutes (other than research), general advisory services, reference bureaus, consulting services, radio and television, and similar non-instructional services to particular sectors of the community.

Subprograms of Public Service are:
   3.2 Community Services
   3.3 Cooperative Extension Services
   3.4 Public Broadcasting Services

Program Classification: Academic Support

The academic support category includes funds expended to provide direct support services for the institution’s primary missions: instruction, research and public service. It includes:
   1) the retention, preservation and display of educational materials (for example, libraries, museums and galleries);
2) the provision of services that directly assist the academic functions of the institution (such as demonstration schools associated with a department, school, or college);
3) media (such as audio-visual services and technology);
4) academic administration (including academic deans, but not department chairpersons); and personnel development providing administrative support and management direction to the three primary missions; and
5) separately budgeted support for course and curriculum development.

Subprograms of Academic Support are:

4.1 Libraries (Program 31)
4.2 Museums and Galleries (Program 32)
4.3 Educational Media Services (Program 33)
4.5 Ancillary Support (Program 34)
4.6 Academic Administration and Personnel Development (Program 35)

Program Classification: Student Services
The student services category includes offices and activities that are service-oriented and directly related to the needs of the student body. The program includes activities designed to contribute to the emotional and physical well-being of the students and their cultural, intellectual and social development. These offices and activities are outside the context of the formal instruction program.

Subprograms in the Student Service Program are:

5.1 Student Service Administration (Program 41)
5.2 Social and Cultural Development (Program 42)
5.3 Counseling and Career Guidance (Program 43)
5.4 Financial Aid Administration (Program 44)
5.5 Student Health Services (Program 45)
5.7 Student Admissions and Records (Program 47)

Program Classification: Institutional Support
The institutional support category should include expenditures for:

1. planning and executive direction, such as the governing board, legal services, planning, budgeting, institutional research, and other central executive activities;
2. fiscal operations, including the investment office;
3. space management;
4. employee personnel and records;
5. logistical activities that provide procurement, storerooms, safety, security, printing and transportation services to the institution;
6. support services to faculty and staff not operated as auxiliary enterprises; and
7. activities concerned with community and alumni relations, including development and fund raising.

Appropriate allocations of institutional support should be made to auxiliary enterprises and any other activities not reported under educational and general expenditures. Accreditation fees of a specific program are properly coded to user areas while those fees for institution-wide accreditation are properly coded to Institutional Support (6.1, Executive Management) because that subcategory essentially involves planning activities. Bad debt expense should be reported as an Other Expense in 6.2, Fiscal Operations in the appropriate fund column of the form.

Subprograms of Institutional Support are:

6.1 Executive Management (Program 51)
6.2 Fiscal Operations (Program 52)
6.3 General Administration and Logistical Services (Program 53)
6.5 Public Relations and Development (Program 54)

**Program Classification: Operation and Maintenance of Plant**

The operation and maintenance of plant category includes all expenditures of current operating funds for the operations and maintenance of the physical plant – in all cases the net of the amount charged to auxiliary enterprises, and independent operations. It includes all expenditures for operations established to provide services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance and similar items. It does not include expenditures made from the institutional plant fund accounts.

Subprograms of Operation and Maintenance of Plant are:
7.1 General Physical Plant *(Program 61)*

7.2 Fuel and Utilities *(Program 62)*

7.3 Maintenance and Repair *(Program 63)*

**Program Classification: Scholarships (Program 71) and Fellowships (Program 72)**

The scholarships and fellowships category includes expenditures for scholarships and fellowships – from restricted or unrestricted current funds – in the form of grants to students that result from selection by the institution or from an entitlement program. Also included is aid to students in the form of tuition or fee remissions however, remission of tuition or fees granted to faculty and staff or members of their families should be recorded as staff benefit expenditures in the appropriate functional expenditure category.

Recipients of grants are not required to perform service to the institution as consideration for the grant, nor are they expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the college work-study program, charges should be classified as expenditures of the department or organizational unit to which the service is rendered.

Most expenditures that would have previously been reported in this category are now reported as Scholarship Allowances and show on the form as a reduction of revenue to calculate net tuition and fees. However, sometimes incidental expenditures are made from a cost center coded as PCS Scholarships and Fellowships that do not meet the definition of scholarship allowances. An example is incidental expenses for student stipends that are actually compensation expenditures.

**Program Classification: Auxiliaries**

Expenditures related to Auxiliary enterprises are reported in this category.

**Program Classification: Hospitals**

Expenditures related to teaching hospitals are reported in this category.