Part 2--Major Fund Groups

A knowledge of the University's five major fund groups is basic to an understanding of the whole accounting system. The remainder of this chapter is devoted to these fund groups.

V. CURRENT FUNDS GROUP

These are the funds used for the current operation of the University. The group is divided into Unrestricted Funds and Restricted Funds, which are further divided into the subgroups listed in paragraphs A and B, below.

A. CURRENT UNRESTRICTED FUNDS

Current Unrestricted Funds can be used for any institutional purpose designated by The Regents. Following are the funds under this subgroup:

1. General Funds

Most General Funds are provided by the State and are spent within the overall constraints of the approved State budget. Additional sources of General Funds are student fees, such as admissions fees and nonresident tuition, and other miscellaneous revenues.

2. Student Fees

Student fees represent funds which are used to provide services (student health services, counseling, etc.) to regularly enrolled students, or, in the case of University Extension and Summer Sessions, to support the entire instructional program.

3. Sales and Services of Educational Activities

These funds are used to operate organized activities, i.e., income-producing activities operated by departments in connection with the training of students. Examples of such activities are the operations of medical and dental school clinics.

These funds are also used for the activities of educational departments.

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Sales and Services of Educational Activities funds are derived from either academic support unit recharges, or sales of products or services to multiple individuals or organizations outside the University. When sales are made to non-University
V. CURRENT FUNDS GROUP (Cont.)
   A. CURRENT UNRESTRICTED FUNDS (Cont.)

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customers, the University must not assume any
obligation beyond delivery of a standardized
product or service at pre-established, per unit,
uniform prices (such as rates approved by the
campus recharge committee, fee schedules approved
for use by hospitals and clinics, etc.).

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Generally, sales to a non-University customer
should be considered a grant or contract, unless
the sale is based on established unit prices, and
like services or products are sold to other non-
University customers or University departments
based on the same unit prices (allowing for the
indirect cost differential charged to non-
University customers).

4. Sales and Services of Auxiliary Enterprises

These funds are used in the operation of auxiliary
enterprises, and are explained more fully below in
the section on classification of expenditures.
Income is derived from charges to users.

5. Sales and Services of Teaching Hospitals

These funds are used to operate teaching hospitals
related to the medical schools.

6. Other Sources

Other Sources include income sources which do not
fall naturally into any of the other
classifications. Examples of Other Sources are
royalties on patents, some sales of surplus
equipment, dental work performed at student health
centers, and sales of University Press
publications. The funds are used for purposes
related to the income source.

7. Reserves

Reserves represent fund balances set aside for
future use. They are appropriated to expenditure
accounts or transferred to other funds as they are
needed. One example is the self-insurance reserve
which is derived from insurance charges to
departments. Other examples are the numerous
reserves for maintenance and replacement of
equipment derived from the earnings of auxiliary
and service enterprises, organized activities, and
other income-producing activities.

**Addition 12/30/93
B. CURRENT RESTRICTED FUNDS

Current Restricted Funds are subject to special restrictions established by various outside sources in accordance with the purpose established by the source of the given fund. Following are the funds under this subgroup:

1. State of California

State of California funds are funds appropriated by the Legislature for special research projects or received under contracts with State agencies. State funds for general operating purposes are classified under Current Unrestricted Funds.

2. United States of America

United States of America funds are funds to be used in Federal projects and programs. A major portion of these funds is used for research under contracts and grants. Also, a large amount is used for Federal student aid programs.

3. Local Governments

Local Governments funds are funds to be used under contract with local governments or tax districts (cities, counties, school districts, etc.).

4. Endowment Income

In a private university, Endowment Income normally provides a substantial portion of general operating expenses. However, for the University of California, a public institution, the State provides the basic operating support. Use of Endowment Income is restricted to the enrichment of educational and research programs beyond the level that the State is able to provide. NOTE: Some of these funds are classified as Unrestricted Funds, according to donor designation.

5. Private Gifts, Grants, and Contracts

This subgroup, like Endowment Income, is also used for the enrichment of University programs. However, income consists of current gifts, grants, and contracts, rather than return on the investment of principal. NOTE: Some gift funds are classified as Unrestricted Funds, according to donor designation.
V. CURRENT FUNDS GROUP (Cont.)
B. CURRENT RESTRICTED FUNDS (Cont.)

5. Private Gifts, Grants, and Contracts

This subgroup, like Endowment Income, is also used for the enrichment of University programs. However, income consists of current gifts, grants, and contracts, rather than return on the investment of principal. NOTE: Some gift funds are classified as Unrestricted Funds, according to donor designation.

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Gifts are funds donated irrevocably for unrestricted or designated purposes by extramural individuals or organizations. Gift do not involve contractual consideration—such as tangible property, intellectual property rights, or specified services—provided to the donors by the University. [For a discussion of the distinction between gifts and grants, see Exhibit A, Presidential Guidelines on Review of Gifts/Grants for Research, July 8, 1980.]

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Grants and Contracts are written agreements with external sponsors (generally not individuals) in which the University promises to provide research, training, public service, or nonstandardized testing/other services. An agreement which contains one or more of the following provisions is generally a contract or grant: (1) a research protocol or other statement of work, (2) a designated period of performance, (3) a budget, (4) an obligation to account for costs incurred and to return unspent funds, and (5) disposition of intellectual property rights. The following are examples of grants and contracts which should not be classified as sales and services: agreements to test a company's drug or device; agricultural marketing board orders; sales of survey services (data collection and/or analysis); and service to industry agreements.

C. CURRENT FUNDS--UNEXPENDED BALANCES CLASSIFICATION

The following classifications are used for the unexpended balance accounts of Current Funds:

1) Reserves
2) Principal Appropriated (funds functioning as endowment)
3) Gifts and Private Grants
4) Endowment Income

**Addition 12/30/93