

Revenue Classifications (Sources)

Student Tuition and Fees

The tuition and fees category includes all tuition and fees (net of refunds, bad debt estimates, and any discounts recognized) assessed for educational purposes. As an exchange transaction, tuition and fees should be recognized generally on the accrual basis; that is, as the revenue is earned by the institution. Tuition and fees that are levied for academic terms that fall entirely within one fiscal year are recognized as revenue in that fiscal year. Tuition revenue for sessions that span two fiscal years should be allocated between the years depending upon the facts and circumstances at each institution.

Grants and Contracts

Grants and contracts that are considered exchange transactions and not contributions (i.e., nonexchange transactions) are recorded as revenues under accrual accounting principles. This means that revenues should be recognized when earned (i.e., when eligibility requirements have been met), and expenses should be recognized when incurred. Revenues and expenses from exchange transactions are recorded as operating revenues and expenses.

The grants and contracts category includes all amounts earned on grants, contracts, or cooperative agreements from federal, state, or local government agencies. Also included are amounts from nongovernmental organizations, including funds resulting from contracting or the furnishing of goods and services of an instructional, research, or public service nature.

Government Grants and Contracts The government grants and contracts category in operating revenues includes all amounts received or made available by grants, contracts, and cooperative agreements from government agencies that are considered to be exchange transactions.

Government grants and contracts that are considered to be nonexchange transaction (e.g., Pell, SEOG) are classified separately as nonoperating revenues and accounted for under the provisions of SGAS 33.

Private Grants and Contracts Accounting for private grants and contracts essentially is the same as accounting for government grants and contracts. These grants and contracts may require more scrutiny to determine which of them are exchange transactions and which are nonexchange transactions. Each private grant and contract should be tracked separately, in the manner indicated above for government grants and contracts. As with government grants and contracts, revenues of private grants and contracts that are exchange transactions are recorded as operating revenues and those that are nonexchange transactions are recorded as nonoperating revenues.

Sales and Services of Educational Activities

The sales and services of educational activities category includes:

revenues that are related incidentally to the conduct of instruction, research, and public service, and revenues of activities that exist to provide 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.

Sales of such items are recorded as operating revenues. Examples of revenues of educational activities include 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 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 is the purpose of an activity, rather than training or instruction, the revenue should be classified as sales and services of auxiliary enterprises or hospitals, as appropriate.

Institutions should not take the revenues received from sales and services of educational departments to external parties and offset them against departmental expenses.

Sales and Services of Auxiliary Enterprises

An auxiliary enterprise is an entity that exists predominantly to furnish goods or services to students, faculty, or staff, and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The general public may be served incidentally by some auxiliary enterprises.

Auxiliary enterprises include residence halls, food services, intercollegiate athletics (if essentially self-supporting), college unions, college stores, and services such as copy centers, day-care centers, barbershops, beauty parlors, and movie theaters. Even though they may serve students and faculty, hospitals are classified separately because of their size and relative financial importance.

Revenues classified in this category are limited to those derived directly from the operation of auxiliary enterprises. Revenues from gifts, grants, or endowment income designated for auxiliary enterprises should be reported under their respective source categories.

Institutions may grant financial aid to offset the cost of auxiliary enterprise services, such as room, board, or books. Some of this aid may be reported as an allowance against auxiliary enterprise revenue and some aid may be reported as student aid expense.

Other Revenue Sources

The other sources category includes all sources of revenues not included in other classifications. Examples are miscellaneous rentals and sales, miscellaneous fees, and items that are not material enough to warrant separate disclosure.

Government Appropriations

The government appropriations categories include all appropriations from, or made available to, an institution by legislative acts of the federal, state or local governments or by a local taxing authority. Appropriations for operating purposes, either restricted or unrestricted, are recorded as nonoperating revenues. Appropriations for capital purposes are recorded as capital appropriations. Operating and capital appropriations made by state legislatures should be recognized as assets and revenues on the first day of the state's fiscal year, unless another time period is explicitly stated in the appropriation. Rescissions should be recorded during the period as reductions of the appropriations. Multi-year appropriations, when the appropriation act does not specify the amount for each year, should normally be split evenly between the years, unless state agencies make it clear that the amounts are to be expended in some other manner.

Appropriations from federal, state, and local sources may be reported separately or combined. In some cases, judgment is required to determine whether a given source is federal or state. 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 and the state then appropriates those funds, the funds received by the institution should be classified as state rather than federal funds. This category does not include government grants and contracts, nor does it include institutional fees and other income re-appropriated by a governing body to the institution.

Capital Appropriations

Appropriations for capital purposes, such as construction of new facilities, are recorded as capital appropriations

Gifts

Value received from another party [including individuals and other private sector entities] without directly giving equal value in exchange.

Significant elements of the statement include the following:

- Gifts, in whatever form, are considered nonoperating revenues.
- Qualifying promises by donors to give resources for operating purposes, and for which eligibility requirements have been met, should be recognized as assets and nonoperating revenues when the promise has been made.
- Revenues and any unconditional promises should be recognized in the period when resources are required to be used or when use may begin. Applying that rule to endowment gifts, cash and securities given for term and permanent endowments should be recognized as assets and revenues when received. This is the point at which compliance with the restriction to invest permanently can be undertaken. Donors' unconditional promises to give such resources for endowment should not be recognized as compliance with the restriction (i.e., permanent investment) is not possible as no funds have been received.
- Resources received with purpose restrictions should be reported as restricted net assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact (e.g., endowment principal). Thus, when an expense is incurred for a purpose for which both unrestricted and restricted resources are available, institutions may choose to charge the expense against either net asset class.

Unrestricted Gifts All unrestricted gifts should be recorded as nonoperating revenues.

Restricted Gifts for Operating Purposes Restricted gifts for operating purposes should be recorded as nonoperating revenues if eligibility requirements have been met.

Restricted Gifts for Capital Purposes Restricted gifts for capital purposes should be recorded as capital grants and gifts if eligibility requirements have been met.