Cost Accounting Standards Board
Disclosure Statement (Form DS-2)

University of California, Riverside
Revision Number 3, Effective Date January 1, 2018
# INDEX

**GENERAL INSTRUCTIONS** (i)

**COVER SHEET AND CERTIFICATION** C-1

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GENERAL INSTRUCTIONS

1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the Educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFR (48 CFR 9903).

2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a Central or Group office and are allocated to one or more segments performing under federally sponsored agreements.

3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VI.

4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.

5. The Statement must be signed by an authorized signatory of the reporting unit.

6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code that describes the segment's (reporting unit's) cost accounting practices.

7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.
8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference to the pertinent Disclosure Statement Part. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement item number. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).

10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.

11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number _____" and "Effective Date _____" in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items, which have been changed.
COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

COVER SHEET AND CERTIFICATION

Item No.  Item Description
Revision Number 3, Effective Date 01/01/2018

COVER SHEET

0.1 Educational Institution
Revised
(a) Name University of California
(b) Street Address C/O 1111 Franklin Street, 10th Floor
(c) City, State and ZIP Code Oakland, CA 94607-5200
(d) Division or Campus of University of California, Riverside
(if applicable)

0.2 Reporting Unit is: (Mark one.)
A. _____ Independently Administered Public Institution
B. _____ Independently Administered Nonprofit Institution
C. xx__ Administered as Part of a Public System
D. _____ Administered as Part of a Nonprofit System
E. _____ Other (Specify) _______________________________

0.3 Official to Contact Concerning this Statement:
Revised
(a) Name and Title Danielle Powers, Director, Costing Policy & Analysis
(b) Phone Number (include area code and extension) (510) 987-0940

0.4 Statement Type and Effective Date:
Revised
A. (Mark type of submission. If a revision, enter number)
   (a) ____ Original Statement
      (b) xx__ Amended Statement; Revision No. 3

B. Effective Date of this Statement: January 1, 2018

C-1.0
Item No. Item Description Revision Number 3, Effective Date 01/01/2018

0.5 Statement Submitted To (Provide office name, location and telephone number, include area code and extension):

Revised

A. Cognizant Federal F&A Cost Neg.: Department of Health and Human Services
   Director, Cost Allocation Services
   1301 Young Street
   Room 732
   Dallas, TX 75202

B. Cognizant Federal Auditor: Department of Health and Human Services
   Office of the Inspector General
   Office of Audit
   90 7th Street,
   San Francisco, CA 94103

Additional copy furnished to Cognizant Federal F&A Cost Negotiator:

Department of Health and Human Services
Division of Cost Allocation
Western Field Office
90 7th Street, Suite 4-600
San Francisco, CA 94103
(415) 437-7820
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision Number 3, Effective Date 01/01/2018</th>
</tr>
</thead>
</table>

**CERTIFICATION**

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. Sec. 422.

Date of Certification: 8/26/21

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Nathan Brostrom  
(Signature)

Nathan Brostrom  
(Print or Type name)

Executive Vice President – Chief Financial Officer  
(Title)

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN 18 U.S.C. Sec. 1001
Part I – General Information

1.1.0 Description of Your Cost Accounting System for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

Revised
A. ___ Accrual
B. ___xx Modified Accrual Basis *
C. ___xx Cash Basis
Y. _____ Other *

1.2.0 Integration of Cost Accounting with Financial Accounting. The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.)

A. _____ Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.)
B. _____ Not integrated with financial accounting records (Cost data are accumulated on memorandum records.)
C. ___xx Combination of A and B

1.3.0 Unallowable Costs. Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one)

A. _____ Specifically identified and recorded separately in the formal financial accounting records. *
B. _____ Identified in separately maintained accounting records or workpapers. *
C. _____ Identifiable through use of less formal accounting techniques that permit audit verification. *
D. ___xx Combination of A, B or C *
E. _____ Determinable by other means. *
1.3.1 Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)

1.4.0 Cost Accounting Period: __7/1 to 6/30__
(Specify the twelve-month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the Institution’s fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)

1.5.0 State Laws or Regulations. Identify on a continuation sheet any State laws or regulations which influence the institution’s cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.

* Describe on a Continuation Sheet
Part I - Continuation Sheet

1.1.0 Description of Your Cost Accounting System
Revised
The University of California’s cost accounting system incorporates data accumulated and recorded in the financial accounting system. The financial statements of the University of California are prepared on the accrual basis with the following modifications: Cash accounting is used for pension and post-retirement health benefits.

The financial records of the University are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB) and the National Association of College and University Business Officers (NACUBO).

1.2.0 Integration of Cost Accounting with Financial Accounting
Revised
The financial accounting system is primarily designed to meet fund accounting rather than cost accounting requirements as prescribed by the GASB and NACUBO. The financial accounting system accumulates expenditures according to funding source, program purpose and expense categories. The University receives funds from a variety of sources including State and Federal appropriations; government and private contracts and grants; student fees; gifts; and income from University enterprises such as student housing. The funds are used for a wide range of programs including instruction, research, public service, academic support, institutional support, operation and maintenance of plant, student services, student financial aid, and auxiliary enterprises. Salaries, fringe benefits, materials and supplies, and various other categories of expense may be incurred by each program.

The cost accounting system uses data accumulated and recorded by the financial accounting system, but regroups the data as necessary to meet OMB Circular 2 CFR Part 200 and CAS requirements. For example, University Advancement fundraising expenses are recorded by the financial accounting system as institutional support (generally an indirect function), but must be reclassified as direct cost in the Other Institutional Activities base to meet 2 CFR Part 200 purposes. A clear audit trail is provided for all reclassifications such that the institutions cost accounting for a given fiscal year reconciles with its audited financial statements. With respect to directly charged costs of performing sponsored projects, the cost accounting system can be considered integrated with the financial accounting system. Beginning July 1, 2001, in accordance with the requirements of GASB Statement No. 34 and 35, depreciation costs of capital assets are recorded in the financial accounting system. Beginning July 1, 2005, the annual cost of post-retirement health and dental benefits are recorded in the financial accounting system based upon the common contractually required assessment rate. Departmental Administration costs are recorded in the financial accounting system, but are not always separately identified from Instruction and Departmental Research costs. Reclassification of costs and costs not identified in the financial accounting system as current funds expenditures such as UCOP Cost Allocations and allowable interest expenses are included and treated as Adjustments in the Facilities and Administrative Rate Proposal.
1.3.0 Unallowable Costs
Revised

University policy requires the identification of unallowable costs for proper costing treatment. Except as described in the following paragraph, normally unallowable costs are accumulated in the financial accounting records using designated accounts, funds, object codes, or a combination thereof. As part of the UC system, UCR follows the guidance provided by the UC Accounting Manual.

The departments in conjunction with the Accounting Office are required to identify, track and report unallowable costs during the process of preparing a Facilities and Administrative Rate Proposal. This process includes the review of activities and events during the year and the analysis of expenditures to ensure that all unallowable costs have been identified and reported.

All unallowable costs are identified and accumulated as described and shown in the Facilities and Administrative Rate Proposal.

Salaries and fringe benefits attributable to the administrative work of faculty and other professional personnel are identified in separate cost accounting system work papers and excluded from the development of Departmental Administration cost pools as required by the OMB Circular 2 CFR Part 200.431(d). The cost accounting system also identifies aggregated administrative costs in excess of the reimbursement limitation described in OMB Circular 2 CFR 200 Appendix III 8.(a).

Reviews of compliance with existing policy and procedures are conducted in the course of required Single Audit, and as needed in the judgment of the campus. If additional unallowable costs are identified in the course of a compliance review, appropriate adjustments are made in the cost accounting system records.

1.3.1 Treatment of Unallowable Costs
Revised

Unallowable costs are either excluded or are reclassified as Other Institutional Activities (OIA) costs in the Facilities and Administrative Rate Proposal.

Unallowable central office (UC Office of the President) costs are not allocated to any direct or indirect cost pools.

The limitation on administrative cost reimbursement described in OMB Circular 2 CFR 200 Appendix III 8.(a) does not affect the allocation of administrative costs in the University’s cost accounting system; however, it does affect the indirect cost reimbursement rates applied to Federal awards.

1.5.0 State Laws or Regulations
State regulations place restrictions on the use of State funds, and also establish financial reporting requirements for various funds. However, the University is not aware of any State laws, regulations or special agreements limiting the allowance of costs or materially influencing its cost accounting practices.

End of Part I
Part II – Direct Costs

Institutions should disclose what costs are, or will be, charged directly to Federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.

2.1.0 Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.
(For all major categories of cost under each major function or activity such as, instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. (Also, list and explain if there are any deviations from the specified criteria).

2.2.0 Description of Direct Materials.
All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)

2.3.0 Method of Charging Direct Materials and Supplies.
(Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

2.3.1 Direct Purchases for Projects are charged to Projects at:
Revised
A. _____ Actual Invoiced Costs
B. xx Actual Invoiced Costs Net of Discounts Taken
C. _____ Other(s) *
Z. _____ Not Applicable

2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory.
(Identify the inventory valuation method used to charge projects):
A. _____ First In, First Out
B. _____ Last In, First Out
C. xx Average Costs *
D. _____ Predetermined Costs *
Y. _____ Other(s) *
Z. _____ Not Applicable
### Description of Direct Personal Services

All personal services directly identified with Federally sponsored agreements or similar cost objectives. Describe on a continuation sheet the personal services compensation costs, including applicable fringe benefits costs, if any, within each major institutional function or activity that are charged as direct personal services.

### Method of Charging Direct Salaries and Wages

Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.

<table>
<thead>
<tr>
<th>Direct Personal Services Category</th>
<th>Faculty</th>
<th>Staff</th>
<th>Students</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Payroll Distribution Method</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>(Individual time card/actual hours and rates)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Plan - Confirmation (Budgeted planned or assigned work activity, updated to reflect significant changes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. After-the-fact Activity Records (Percentage Distribution of employee activity)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y. Other(s) *</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

### Salary and Wage Cost Distribution Systems

Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (If “NO”, describe on a continuation sheet, the...
types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.)

___ Yes
xx No *

* Describe on a Continuation Sheet

2.5.2 Salary and Wage Cost Accumulation System.
(Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects, or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)

2.6.0 Description of Direct Fringe Benefits Costs.
All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)

2.6.1 Method of Charging Direct Fringe Benefits.
(Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0. is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g. instruction, research); and, then to individual projects or direct cost objectives within each function.)

2.7.0 Description of Other Direct Costs.
All other items of cost directly identified with federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.)

2.8.0 Cost Transfers.
When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if “No”, explain on a continuation sheet how the credit differs from original charge.)

___ Yes
### 2.9.0 Interorganizational Transfers.

This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of interorganizational transfers or materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

<table>
<thead>
<tr>
<th></th>
<th>Materials (1)</th>
<th>Supplies (2)</th>
<th>Services (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>xx</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Describe on a Continuation Sheet
2.1.0 Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives

Revised

For all categories of cost charged to Federally sponsored agreements, including materials and supplies, salaries and wages, fringe benefits, travel, consultants, services, subgrants and subcontracts, and miscellaneous expenses, the University’s policy is to comply with Office of Management and Budget guidance in treating costs as either direct or indirect, according to the purpose and circumstances under which the cost was incurred. The University policy is contained in the UCOP Contract & Grant Manual, Chapter 6, Financial–General, Section 6-520, Classification of Direct and Indirect Costs (Revised December, 2011),
https://www.ucop.edu/research-policy-analysis-coordination/resources-tools/contract-and-grant-manual/chapter6/chapter-6-500.html#ch6-510

and in Chapter 7, Budgets and Expenditures (Revised February, 2018),

The overall policy of the University on direct costing procedures is contained in Business and Finance Bulletin A-47, University Direct Costing Procedures (Revised June 30, 2012).

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional direct activity; or that can be directly assigned to such activities relatively easily with a high degree of confidence. Identification with the major activity rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs. For instance, salaries and wages may be treated as direct costs or indirect costs depending on whether the employee is performing a direct institutional activity (such as research) or an indirect institutional activity (such as general university administration).

Academic departments and organized research units regularly incur both direct costs (research, instruction, other sponsored activities, and/or other institutional activities) and indirect costs (departmental administration and/or departmental operations & maintenance). In such departments, when administrative and clerical salaries or other costs are charged directly to sponsored projects, care is exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities. This is accomplished through a direct charge equivalent (DCE) or other mechanism that assigns the costs directly to the appropriate activities.

It is the policy of the University to treat committed cost sharing of salary and non-salary expenses as direct costs to comply with the guidance provided by the OMB by including in the
2.2.0 Description of Direct Materials
Revised
Direct materials and supplies are those materials and supplies that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Categories of such materials and supplies include, but are not limited to, general- and special-purpose non-capital items, computer software, lab instruments and supplies, lab glass/ceramics, tools, and chemicals and gases.

Academic departments and organized research units regularly incur both direct costs (research, instruction, other sponsored activities, and/or other institutional activities) and indirect costs (departmental administration and/or departmental operations & maintenance). In such departments, when materials and supplies are charged directly to sponsored projects, care is exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities of the unit.

2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory
Revised
Inventories for the campus, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value.

2.4.0 Description of Direct Personal Services
Revised
Direct personal services are those that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Direct personal services costs consist of individual employee salary and wages and associated fringe benefits in proportion to the employee’s effort on each direct activity.

Academic departments and organized research units regularly incur both direct costs (research, instruction, other sponsored activities, and/or other institutional activities) and indirect costs (departmental administration and/or departmental operations & maintenance). In such departments, when personal services are charged directly to sponsored projects, care is exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities of the unit.
2.5.0 Method of Charging Direct Salaries and Wages

Revised

Salaries and Wages are charged to federal or federal flow through funds based initially on information contained in time cards and/or according to the budgeted planned or assigned work activity. These charges are confirmed through monthly review and ledger reconciliations and the University’s annual payroll certification process.

Employees charged in part or in whole to federal or federal flow-through funds must complete after-the-fact annual payroll certification reports, and make adjustments if significant differences are indicated.

The system-wide requirement is outlined in the UC Contract & Grant Manual Chapter 7-330 Confirmation of Personal Services, https://www.ucop.edu/research-policy-analysis-coordination/resources-tools/contract-and-grant-manual/chapter7/chapter-7-300.html#ch7-330

The University applies the annual NIH guideline “Salary Limitation on Grants, Cooperative Agreements and Contracts” to ensure compliance. Our payroll system is designed to enforce the salary cap by comparing salary rate to salary cap and forcing any amount over the cap to an unrestricted fund. In addition, research fund managers review expenses. The salary increments in excess of the limitation are included in the appropriate direct cost base whenever F&A rate proposals are prepared.

2.5.1 Salary and Wage Cost Distribution Systems

Revised

Employees whose salaries and wages are not directly charged to any Federal funds are not required to complete after-the-fact payroll certification reports.

2.5.2 Salary and Wage Cost Accumulation System

Revised

Salary and wages paid by the University to its employees are processed through the University’s payroll system. A specific fund source(s), program purpose(s) (account) and amount(s) of pay must be identified for each individual payment of salaries and wages prior to processing. The information accumulated in the payroll system is posted to the general ledger of the University’s financial accounting system. Payroll costs posted to sponsored projects are recovered through the sponsors as direct costs. The amounts posted to individual federally sponsored projects may be adjusted at a later time based on the information provided through ledger reviews/reconciliations and/or after-the-fact payroll certifications.

It is the policy of the University to treat committed cost sharing of salary and non-salary expenses as a direct cost to comply with the guidance provided by the OMB. Indirect cost allocable to identified salary and non-salary cost sharing expenses may also be counted as cost sharing, but is not treated as a direct cost.
2.6.0 Description of Direct Fringe Benefits Costs
Fringe benefits at the University of California include holidays, sick leave, vacation, other paid leaves permitted under University policy (e.g., jury duty), sabbatical leave, OASDI, Medicare, retirement plan, health insurance, dental insurance, optical insurance, worker’s compensation insurance, unemployment insurance, non-industrial disability insurance, life insurance, annuitant health and dental insurance, incentive award program, employee support program, severance pay and tuition/fee remission of certain student employees. The University does not classify fringe benefits as direct or indirect costs in all circumstances; rather, the costing treatment of a given employee’s fringe benefits is consistent with, and in proportion to, the costing treatment of that employee’s salary and wages. Direct fringe benefits costs are those that are attributable to an employee’s direct personal services costs (See 2.4.0. above for a description of direct personal services costs).

2.6.1 Method of Charging Direct Fringe Benefits
Revised
The University negotiates an average fringe benefit rate for employee groups with its cognizant federal agency. The negotiated fringe benefit rates for each employee group are derived by dividing the employee group’s benefit costs by that group’s salary and wage base. These percentages are applied to salary and wage dollars. Benefits are allocated to all major functions, individual sponsored agreements, indirect cost pools and other direct cost objectives that have eligible salaries charged to them based on the fringe benefit rate.

The salary and wage base for charging fringe benefits consists of the salary and wages paid to faculty, exempt and non-exempt employees, hourly employees, post-docs, temporary employees and student employees.

Fringe benefit costs are projected annually based on actual prior year costs, and adjusted as necessary to reflect anticipated costs. Carry-forward adjustments are made in the rate computation to compensate for prior year over or under recoveries.

Tuition and fee remission of certain student employees are not part of the fringe benefit rate and are charged to the cost objectives based on actual costs of the student employee receiving the benefit.

Holiday, sick leave and other paid absences taken are charged to the cost objectives that the employees are devoting their effort to at the time the leave occurs. Vacation is charged based on Vacation Leave Accrual assessment rates.

2.7.0 Description of Other Direct Costs
Revised
Sub-agreements are identifiable specifically with a particular sponsored project or other activity and are for that reason treated as direct costs. OMB Circular 2 CFR Part 200.447 requires that medical liability insurance costs be treated as a direct cost. In order to comply with this requirement, it is the policy and practice of the University to classify the medical liability...
insurance costs as a direct cost; however, since procedures have not been developed to assign these costs to benefiting sponsored projects with human subjects, 100% of the medical liability insurance costs are currently classified as costs of Other Institutional Activities.

Travel, miscellaneous services, consumable supplies miscellaneous expenses, and equipment are treated as direct costs when they can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or can be directly assigned to such activities.

Academic departments and organized research units regularly incur both direct costs (research, instruction, other sponsored activities, and/or other institutional activities) and indirect costs (departmental administration and/or departmental operations & maintenance). In such departments, when materials and supplies are charged directly to sponsored projects, care is exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities of the unit.

2.8.0 Cost Transfers
When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, the credit amount for direct charges is always based on the same amount(s) or rate(s) originally used to charge or allocate costs to the project. The credit amount for indirect costs is based on the indirect cost rate in effect at the time of the transfer, which in some instances may differ from the indirect cost rate at the time of the original charge. The differences, if any, do not result in a material impact on Federal awards.

End of Part II
Part III – Indirect Costs

Institutions should disclose how the segment’s total indirect costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and “billed” to users, and the specific indirect cost pools and allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.

The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.

A. Direct Charge or Allocation  
B. Total Expenditures  
C. Modified Total Cost Basis  
D. Modified Total Direct Cost Basis  
E. Salaries and Wages  
F. Salaries, Wages and Fringe Benefits  
G. Number of Employees (head count)  
H. Number of Employees (full-time equivalent basis)  
I. Number of Students (head count)  
J. Number of Students (full-time equivalent basis)  
K. Student Hours—classroom and work performed  
L. Square Footage  
M. Usage  
N. Unit of Product  
O. Total Production  
P. More than one base (Separate Cost Groupings) *  
Y. Other(s) *  
Z. Category or Pool not applicable

* Describe on a Continuation Sheet
3.1.0 **Indirect Cost Categories - Accumulation and Allocation.**

This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, “Accumulation Method,” insert “Yes” or “No” to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution’s formal accounting system. If “No,” describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading “Allocation Base,” enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to other applicable indirect cost categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading “Allocation Sequence,” insert 1, 2, or 3 next to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert “CA.” If an indirect cost category listed in this section is not used, insert “NA.”)

<table>
<thead>
<tr>
<th>Indirect Cost Category</th>
<th>Accumulation Method</th>
<th>Allocation Base Code</th>
<th>Allocation Sequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Depreciation/Use Allowances/Interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>yes</td>
<td>L</td>
<td>1</td>
</tr>
<tr>
<td>Equipment</td>
<td>yes</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Capital Improvements to Land</td>
<td>yes</td>
<td>H+J</td>
<td></td>
</tr>
<tr>
<td>Interest *</td>
<td>in part*</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>b) Operation and Maintenance</td>
<td>yes</td>
<td>L</td>
<td>2</td>
</tr>
<tr>
<td>c) General Administration and General Expense</td>
<td>yes</td>
<td>C</td>
<td>3</td>
</tr>
<tr>
<td>d) Departmental Administration</td>
<td>in part*</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>e) Sponsored Projects Administration</td>
<td>yes</td>
<td>Y*</td>
<td></td>
</tr>
<tr>
<td>f) Library</td>
<td>yes</td>
<td>Y*</td>
<td></td>
</tr>
<tr>
<td>Revised</td>
<td>g) Student Administration and Services</td>
<td>yes</td>
<td>A+K</td>
</tr>
<tr>
<td>Revised</td>
<td>h) Other *</td>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>

* Describe on a Continuation Sheet
### 3.2.0 Service Centers.

Revised

Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include ‘recharge’ centers and the ‘specialized service facilities’ defined in OMB Circular 2 CFR Part 200.468. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter “Z” in Column 1, if not applicable.)

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Computer Center Operations</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>b)</td>
<td>Fleet Services</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>c)</td>
<td>Plant Services</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>d)</td>
<td>Planning &amp; Construction</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>e)</td>
<td>Other Service Centers with Annual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operating Budgets exceeding $1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revised Animal Care Facilities

| Category Code: Use code “A” - if the service center costs are billed only as direct costs of final cost objectives; code “B” if billed only to indirect cost categories or indirect cost pools; code “C” if billed to both direct and indirect cost objectives. |
| Burden Code: Code “A” - center receives an allocation of all applicable indirect costs; Code “B” - partial allocation of indirect costs; Code “C” - no allocation of indirect costs. |
| Billing Rate Code: Code “A” - billing rates are based on historical costs; Code “B” - rates are based on projected costs; Code “C” - rates are based on a combination of historical and projected costs; Code “D” - billings are based on the actual costs of the billing period; Code “Y” - other (explain on a Continuation Sheet). |
| User Charges Code: Code “A” - all users are charged at the same billing rates; Code “B” - some users are charged at different rates than other users (explain on a Continuation Sheet). |
5) **Actual Costs vs. Revenues Code**: Code “A” - billings (revenues) are compared to actual costs (expenditures) at least annually; Code “B” - billings are compared to actual costs less frequently than annually.

6) **Variance Code**: Code “A” - Annual variances between billed and actual costs are prorated to users (as credits or charges); Code “B” - variances are carried forward as adjustments to billing rate of future periods; Code “C” -annual variances are charged or credited to indirect costs; Code “Y” - other (explain on a Continuation Sheet).

### 3.3.0 Indirect Cost Pools and Allocation Bases.

(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally sponsored agreements or similar cost objectives.)

<table>
<thead>
<tr>
<th>Indirect Cost Pools</th>
<th>Allocation Base Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Instruction</td>
<td></td>
</tr>
<tr>
<td>Facility &amp; admin pools except SPA</td>
<td>On-Campus</td>
</tr>
<tr>
<td>Admin pools except SPA</td>
<td>Off-Campus</td>
</tr>
<tr>
<td>Sponsored project admin (SPA)</td>
<td>Other *</td>
</tr>
<tr>
<td>B. Organized Research</td>
<td></td>
</tr>
<tr>
<td>Facility &amp; admin pools except SPA</td>
<td>On-Campus</td>
</tr>
<tr>
<td>Admin pools except SPA</td>
<td>Off-Campus</td>
</tr>
<tr>
<td>Sponsored project admin (SPA)</td>
<td>Other *</td>
</tr>
<tr>
<td>C. Other Sponsored Activities</td>
<td></td>
</tr>
<tr>
<td>Facility &amp; admin pools except SPA</td>
<td>On-Campus</td>
</tr>
<tr>
<td>Admin pools except SPA</td>
<td>Off-Campus</td>
</tr>
<tr>
<td>Sponsored project admin (SPA)</td>
<td>Other *</td>
</tr>
</tbody>
</table>

### 3.4.0 Composition of Indirect Cost Pools.

(For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.)

* Describe on a Continuation Sheet
3.5.0 Composition of Allocation Bases.
(For each allocation base code used in Items 3.1.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first $25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation method used should be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study.)

3.6.0 Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs.
Are appropriate direct costs of all programs and activities included in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations?

A.       _xx_ Yes

B.       _____ No *

* Describe on a Continuation Sheet
Part III – Continuation Sheet

3.1.0 Indirect Cost Categories - Accumulation and Allocation

Revised

UC C&G Manual Chapter 8, Indirect Costs (revised November 28, 2017), Section 8-330 provides information on the accumulation of indirect cost categories. [https://www.ucop.edu/research-policy-analysis-coordination/resources-tools/contract-and-grant-manual/chapter8/index.html]

Note: Except for (a) below, indirect cost expenses are recorded and accumulated as current funds expenses in the University’s financial accounting system. The financial accounting system was not created for OMB Circular 2 CFR Part 200 and Cost Accounting Standards purposes, therefore some regrouping of the recorded costs is necessary. For example, University development fundraising activity is recorded by the financial accounting system as Institutional Support (the equivalent of general administrative and general expense), but must be reclassified as Other Institutional Activities to meet Circular 2 CFR Part 200 purposes. Such reclassifications are generally based on attributes found in the financial accounting system data (e.g., financial accounts linked to the Development Office in the foregoing example are reclassified from Institutional Support to Other Institutional Activities). The reclassified costs are reconcilable to the University’s audited financial statements.

(a) Depreciation/Interest:

Beginning July 1, 2001, in accordance with the requirements of GASB Statement No. 34 and 35, depreciation costs of capital assets are recorded in the formal accounting system.

Interest: Interest expense on University debt, including State of California capital leases, is included in the University’s financial accounting system. The University’s prorated share of the State of California General Obligation interest cost is not recorded in the University’s financial accounting system, but is added to the cost accounting system in accordance with OMB Circular 2 Part 200.418. The interest costs are described and set forth in the Facilities and Administrative Rate Proposal.

(b) Operation and Maintenance: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

(c) General Administration and General Expense: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

(d) Departmental Administration: The administrative allowance described in the OMB Circular 2 CFR Part 200.431(d). It is not recorded in the financial accounting system, but is calculated in the cost accounting system.

Administrative expenses of deans' offices are identified in the financial accounting system by department, account and fund.
Allowable administrative expenses within academic departments and research units are recorded, but not always separately identified, in the financial accounting system. When these costs are not separately identified, they are accumulated in the cost accounting system using data from the financial accounting system, through a calculation which separates allowable administrative expenses from direct instruction and departmental research expenses.

The departmental administration calculation, including the faculty administrative allowance (FAA) and the direct charge equivalent (DCE), and the separation of administrative expenses from direct expenses, is set forth in the Facilities and Administrative Rate Proposal.

(e) Sponsored Project Administration: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

\[ Y^1 \] - Sponsored Project Administration costs are allocated to benefiting direct cost functions based on the modified total direct cost of sponsored agreements in each direct cost function.

(f) Library: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

\[ Y^2 \] - Library costs are allocated to the direct cost functions of instruction, research, other sponsored projects and other institutional activities based on the number of employees, students and outside users and on the salaries and wages of employees.

(g) Student Administration and Services: Costs are identified, recorded and accumulated in the financial accounting system (but see Note above).

3.2.0 Service Centers

Revised

Explanation for User Charges Code "B" in Column (4): If the operating costs of a service center include costs that are potentially unallowable charges to Federally sponsored agreements, the service center may develop one set of rates for charging Federally supported activities that excludes recovery of such costs, and a second set of rates for charging non-Federally supported activities that includes recovery of such costs. Alternatively, a single rate may be used, with unallowables refunded at the end of each year, or Federally supported activities may need to identify non-Federal funding to obtain services. In addition, service centers may add an overhead burden to the billing rates for non-University customers. University of California guidelines for costing and pricing procedures for auxiliary and service enterprises and academic support units are set forth in Business and Finance Bulletins A-47 Direct Costing Procedures, A-56 Academic Support Unit Costing and Billing Guidelines, A-59 Costing and Working Capital for Auxiliary and Service Enterprises, and BUS-72 Establishment and Review of Auxiliary Enterprises, respectively, found on the Internet at:

3.3.0 Indirect Cost Pools and Allocation Bases
For a description of Allocation Base Codes D and Y\(^1\), see item 3.5.0 below.

3.4.0 Composition of Indirect Cost Pools
Revised
The composition of each cost pool is set forth in detail in the Facilities and Administrative Rate Proposal.

Included are asset values and depreciation calculations for buildings, general improvements and equipment, as well as interest cost identified by building. The University’s Equipment Useful Life Table is updated periodically to add new classifications of equipment and to update lives when appropriate. The University, HHS, DCA, and the State of California came to an agreement regarding the appropriate allocation of State General Obligation Bond interest to the University and to individual University assets. Copies of letters from DCA approving the mechanism for allocation of the State General Obligation Bond interest costs are available upon request. The calculation of departmental administration costs by department, including the faculty administrative allowance (FAA), the direct charge equivalent (DCE), and the separation of administrative expenses from direct expenses, is detailed in the Facilities and Administrative Rate Proposal.

The process and amounts whereby some indirect cost pools receive an allocable share of costs from other indirect pools is set forth in the Step Down Allocation Report in the Facilities and Administrative Rate Proposal.

3.5.0 Composition of Allocation Bases
Revised
The specific allocation base for each facilities and administrative cost pool is described in the Facilities and Administrative Rate Proposal.

C - Modified Total Cost Basis: For direct costs pools, all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract are included. Equipment, capital expenditures, charges for tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 are excluded. Other items, such as cost of goods sold, are excluded where necessary to avoid a serious inequity in the distribution of indirect costs. Service centers are included. A complete list of exclusions and base adjustments is set forth in the Facilities and Administrative Rate Proposal.

For indirect cost pools, all salaries and wages, fringe benefits, materials and supplies, services, travel and consultant contracts are included. Equipment and capital expenditures are excluded.

D - Modified Total Direct Cost Basis: All direct salaries and wages, fringe benefits, materials
and supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract are included. Direct equipment, capital expenditures, tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 are excluded. Other direct costs, such as cost of goods sold, are excluded where necessary to avoid a serious inequity in the distribution of indirect costs. Service centers are included. A complete list of exclusions and base adjustments is set forth in the Facilities and Administrative Rate Proposal.

H+J - Employees plus Students: Full-time equivalent basis. The amount allocated to the employee category is further allocated to the major functions of the University in proportion to the salaries and wages of all employees applicable to those functions. The amount allocated to the student category is assigned to the instruction function of the University.

K - Student Hours: Classroom and work performed. All student classroom hours are classified as instruction hours. Work hours are classified as instruction, research, other sponsored projects, or other institutional activities based on the work performed. The ratio of hours classified to each of the direct functions is used to allocate the student administration and services cost pool with costs analogous to employee fringe benefits. Other student administration and services costs deemed to benefit only instruction, e.g. convocation costs, are pooled separately and allocated only to the instruction function.

L - Square Footage: All usable square footage of benefiting direct and indirect activities is included. Common areas such as hallways, stairwells and restrooms are excluded. The square footage of a given room is assigned to direct and indirect cost objectives based on a survey of the space usage of the room during the fiscal year or, in the absence of survey data, based on salaries and wages of the department occupying the space. A detailed description of the space utilization survey process is included in the Facilities and Administrative Rate Proposal.

Y\textsuperscript{1} - Sponsored Project Administration costs are allocated to benefiting direct cost functions based on the modified total direct cost of sponsored agreements in each direct cost function.

Y\textsuperscript{2} - Library costs are allocated to the direct cost functions of instruction, research, other sponsored projects and other institutional activities based on the number of employees, students and outside users and on the salaries and wages of employees.

\textbf{End of Part III}
# Part IV – Depreciation and Use Allowances

4.1.0 **Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives.**

(For each asset category listed below, enter a code from A through C in Column (1) describing the method of depreciation; a code from A through D in Column (2) describing the basis for determining useful life; a code from A through C in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Y in each column of an asset category where another or more than one method applies. Enter Code Z in Column (1) only, if an asset category is not applicable.)

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Depreciation Method</th>
<th>Useful Life</th>
<th>Property Unit</th>
<th>Residual Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>(a) Land Improvements</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(b) Buildings</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(c) Building Improvements</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Revised (d) Leasehold Improvements</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(e) Equipment (Moveable)</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(f) Furniture and Fixtures</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(g) Automobiles and Trucks</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(h) Tools</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(i) Enter Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. Otherwise enter Code Z.</td>
<td>Y*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Column (1)-Depreciation Method Code**

A. Straight Line  
B. Expensed at Acquisition  
C. Use Allowance  
Y. Other or more than one method *

**Column (2)-Useful Life Code**

A. Replacement Experience  
B. Term of Lease  
C. Estimated service life  
D. As prescribed for use allowance by Office of Management and Budget Circular A-21  
Y. Other or more than one method *

**Column (3)-Property Unit Code**

A. Individual units are accounted for separately  
B. Applied to groups of assets with similar service lives  
C. Applied to groups of assets with varying service lives  
Y. Other or more than one method *

**Column (4)-Residual Value Code**

A. Residual value is deducted  
B. Residual value is not deducted  
Y. Other or more than one method *

* Describe on a Continuation Sheet
4.1.1 **Asset Valuations and Useful Lives.** Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution’s financial statements? (Mark one.)

A. **xx** Yes *
B. ____ No

4.2.0 **Fully Depreciated Assets.** Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)

A. ____ Yes
B. **xx** No

4.3.0 **Treatment of Gains and Losses on Disposition of Depreciable Property.** Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

A. _____ Excluded from determination of sponsored agreements costs
B. **xx** Credited or charged currently to the same pools to which the depreciation of the assets was originally charged
C. _____ Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved
D. _____ Not accounted for separately, but reflected in the depreciation reserve account
Y. _____ Other(s) *
Z. _____ Not applicable

4.4.0 **Criteria for Capitalization.**
(Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.)

A. Minimum Dollar Amount **$5,000 for moveable equipment** *
B. Minimum Life Years **More than 1 year**

4.5.0 **Group or Mass Purchase.** Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)
A. Yes *
B. No

* Describe on a Continuation Sheet
### Part IV – Continuation Sheet

#### 4.1.0 Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Depreciation Method</th>
<th>Useful Life</th>
<th>Property Unit</th>
<th>Residual Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Software</td>
<td>A</td>
<td>C</td>
<td>B</td>
<td>B</td>
</tr>
</tbody>
</table>

#### 4.1.1 Asset Valuations and Useful Lives.

Asset valuations are consistent with those used in the institution's financial statements; the University began reporting depreciation on its financial statements in the fiscal year ended 06/30/02 as required by GASB Statement No. 35.

#### 4.4.0 Criteria for Capitalization.

Moveable equipment is capitalized if the per-item cost (or fair market value if donated) is $5,000 or more, and its useful life is greater than one year.

Significant additions, replacements, major repairs, and renovations to infrastructure and buildings are generally capitalized if the costs exceed $35,000, and if they have a useful life of more than one year.

There is no minimum dollar threshold for capitalization of other assets; however, other assets must have a useful life of more than one year to be capitalized. Software purchase/development costs, including both the external costs necessary to make the software operational and the internal development costs of staff dedicated to the software project will be capitalized when total software project costs are expected to be greater than $5 million. Purchased software costs will be capitalized if the software purchase price and associated external costs (e.g., external consultant costs) required to make the software operational are $5,000 per copy or installation, even though the total cost of the acquisition is greater than $5,000.

University policy regarding equipment fabrications is set forth in Accounting Manual chapter P-415-32, *Plant Accounting: Fabricated Property* (12/30/98), which can be found on the Internet at: [https://policy.ucop.edu/doc/3410288/AM-P415-32](https://policy.ucop.edu/doc/3410288/AM-P415-32)

*End of Part IV*
Part V – Other Costs and Credits

5.1.0 Method of Charging Leave Costs. Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s))

A.  xx  Cash *

B.  xx  Accrual *

5.2.0 Applicable Credits. This item is directed at the treatment of “applicable credits” as defined in Section C of Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled.)

A.  _____ The credits/receipts are offset against the specific direct or indirect costs to which they relate.

B.  _____ The credits/receipts are handled as a general adjustment to the indirect pool.

C.  _____ The credits/receipts are treated as income and are not offset against costs.

D.  xx  Combination of methods *

Y.  _____ Other *

* Describe on a Continuation Sheet
Part V – Continuation Sheet

5.1.0 Method of Charging Leave Costs
Revised

Vacation leave costs are charged on the accrual basis of accounting. All other leave costs, including sick, holiday, sabbatical and other (e.g., jury duty) leave costs are charged on the cash basis of accounting. Leave costs other than sabbatical leave are measured based on actual cost, assigned to the University Fiscal year in which leave is taken or accrued, and allocated to direct and/or indirect objectives on a prorated basis consistent with the allocation of the employee's salary and wages. Sabbatical leave costs are not charged to sponsored agreements unless specific work on sponsored agreement is performed by individuals during the course of their sabbatical.

The designations and eligibility criteria for other paid leaves vary by personnel program and labor contract. A list of Human Resources Administration policies can be found at: https://policy.ucop.edu/doc/4010406/PPSM-2.210

5.2.0 Applicable Credits
Revised

All discounts, rebates or allowances are offset against the specific direct or indirect costs to which they relate. In some circumstances certain types of revenue are appropriately treated as an applicable credit for indirect cost computations. In such circumstances a general adjustment is made to the appropriate cost pool. All cost pool adjustments are detailed in the Facilities and Administrative Rate Proposal.

End of Part V
Part VI – Deferred Compensation and Insurance Costs

This part covers the measurement and assignment of costs for employee pensions, post retirements benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the governmental unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to Federally sponsored agreements are material, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0 Pension Plans.

6.1.1 Defined-Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

<table>
<thead>
<tr>
<th>Type of Plan</th>
<th>Number of Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. ___ Institution employees participate in State/Local Government Retirement Plan(s)</td>
<td>0</td>
</tr>
<tr>
<td>B. ___ Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution</td>
<td>0</td>
</tr>
<tr>
<td>C. xx Institution has its own Defined-Contribution Plan(s) *</td>
<td>4</td>
</tr>
</tbody>
</table>

* Describe on a Continuation Sheet

6.1.2 Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

* Describe on a Continuation Sheet
6.2.0 Post Retirement Benefits Other Than Pensions (including post-retirement health care benefits) (PRBs). (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)

Z. [ ] Not applicable

6.2.1 Determination of Annual PRB Costs. (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

6.3.0 Self-Insurance Programs (Employee Group Insurance). Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

A. ____ When accrued (book accrual only)
B. ____ When contributions are made to a nonforfeitable fund
C. ____ When contributions are made to a forfeitable fund
D. ____ When the benefits are paid to employee
E. **xx** When amounts are paid to an employee welfare plan
Y. ____ Other or more than one method *
Z. ____ Not Applicable

6.4.0 Self-Insurance Programs (Worker’s Compensation, Liability and Casualty Insurance.)

6.4.1 Worker’s Compensation and Liability. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

A. ____ When claims are paid or losses are incurred (no provision for reserves)
B. ____ When provisions for reserves are recorded based on the present value of the liability
C. ____ When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability
D. **xx** When funds are set aside or contributions are made to a fund
Y. ____ Other or more than one method *
Z. ____ Not Applicable

* Describe on a Continuation Sheet
6.4.2 **Casualty Insurance.** Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

A. ____ When losses are incurred (no provision for reserves)

B. ____ When provisions for reserves are recorded based on replacement costs

C. ____ When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructible.

D. ____ Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)

Y. ____ Other or more than one method *

Z. **xx** Not Applicable

* Describe on a Continuation Sheet
Part VI – Continuation Sheet

6.1.1 Defined Contribution Pension Plans

Revised

Description for item C: The University offers eligible employees the following:

a) Defined contribution pension plan, known as the University of California Defined Contribution Plan, described under section 401(a) of the Internal Revenue Code. The 401(a) plan features separate accounts for nonelective pre-tax contributions and elective after-tax contributions.

b) Supplemental defined contribution plan, known as the University of California Supplemental Defined Contribution Plan, whose primary purpose is to provide savings and retirement income to designated employees of the University and their beneficiaries. The plan constitutes a profit-sharing plan within the meaning of Section 401(a) of the Internal Revenue Code;

c) Tax-deferred defined contribution plan, known as the University of California Tax-Deferred 403(b) Plan, described under section 403(b) of the Internal Revenue Code. Contributions to the 403(b) tax-deferred defined contribution pension plan are made on a pre-tax basis and participation in the plan is voluntary. The University also makes plan contributions on behalf of eligible senior managers.

d) 457(b) deferred compensation plan, known as the University of California 457(b) Deferred Compensation Plan, which is intended to satisfy the requirements of Section 457(b) of the Internal Revenue Code of 1986, as amended. The plan is available to all University employees except students who normally work fewer than 20 hours per week. Taxes on contributions (deferred compensation) and earnings thereon are deferred until the accumulations are withdrawn. The University also makes plan contributions on behalf of eligible senior managers.

6.1.2 Defined-Benefit Pension Plan

Revised

Actuarial cost method(s): Normal Cost and Actuarial Accrued Liability-Entry Age Normal

Asset valuation method: The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on market value basis and is recognized over a five-year period.

Criteria for changing actuarial assumptions and computations: Past experience trends and future expectations are considered and are considered and periodically reviewed by The Regents as the trustees of the UC Retirement Plan.

Funding Policy: The Regents’ funding policy determines total funding policy contributions based on the Plan’s Normal Cost adjusted by an amortization of any surplus or underfunding.
The July 1, 2010 amortization bases were combined into a simple amortization base and amortized over 30 years. Any changes in the Unfunded Actuarial Accrued Liability (UAAL) due to actuarial experience gains or losses after July 1, 2015 are separately amortized over a fixed (closed) 20-year period effective with that valuation. Any changes in UAAL due to a change in plan provisions are separately amortized over a fixed (closed) 15-year period for amendments affecting active members and a fixed (closed) 10-year period for amendments affecting non-active members. For any year in which UCRP has a surplus, such surplus would be amortized over 30 years and all prior UAAL amortization bases would be considered fully amortized.

Notwithstanding the above, actual amounts contributed by the University and members are based on rates of covered compensation determined from time to time by the Regents. The rates are based on the total funding policy contributions and various other factors, including the availability of funds, the impact of employee contributions on the competitiveness of UC’s total remuneration package, and collective bargaining. In no event shall the University Contributions be lower than the Member Contributions.

6.2.0 Post Retirement Benefits Other Than Pensions
Revised
On July 1, 2007, the University of California Retiree Health Benefit Trust (UCRHBHBT) was created. The UCRHBHBT was established to allow certain University locations and affiliates (primarily Campus and Medical Centers) that share the risks, rewards and cost of providing for retiree health benefits to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Currently, the University does not pre-fund retiree health benefits and instead provides for benefits on a pay-as-you-go basis. If pre-funding occurs in the future, the UCRHBHBT will be used as the vehicle for those assets. As of July 1, 2020, the UCRHBHBT covered University faculty and staff comprised of 139,975 active participants and 46,751 retired participants.

Medical and dental insurance benefits are provided as post-retirement benefits other than pension at the University of California. As of July 1, 2020, these benefits were provided through 10 medical plans (five Medicare and five non-Medicare plans) and two dental plans. Listed below are the names of each plan and their corresponding annuitant enrollment for all retirees.

*Medical Programs:*

- UC Health Savings Plan – Anthem 207
- UC Care - Anthem 3,024
- Core - Anthem 458
- Blue & Gold - Health Net 4,407
- High Option – Anthem 3,195
- Kaiser Permanente – Medicare 9,983
- Kaiser Permanente – Non-Medicare 4,350
- UC Medicare PPO - Anthem 5,579
### Dental Programs:

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delta Dental PPO</td>
<td>50,231</td>
</tr>
<tr>
<td>Delta Dental HMO</td>
<td>1,675</td>
</tr>
<tr>
<td>Total Retiree Dental</td>
<td>51,906</td>
</tr>
</tbody>
</table>

The plans and enrollment figures shown above are for the entire University of California system, and the cost of these benefits is allocated to all University segments including Riverside.

#### 6.2.1 Determination of Annual PRB Costs

Revised

The University provides retiree health benefits to eligible retired employees through the UCRHBT. All participating University locations are required to contribute at a rate assessed each year by the University. The “common” required assessment rate is established annually by UC management. The assessment rates are developed based upon estimates designed to provide sufficient contributions such that retiree health benefit costs are funded on a projected pay-as-you go basis.

**End of Part VI**
DISCLOSURE BY CENTRAL SYSTEM OFFICE, OR GROUP
(INTERMEDIATE ADMINISTRATION) OFFICE, AS APPLICABLE.

Part VII – Central System or Group Expenses

This part should be completed only by the central system office or a group office of an educational system when that office is responsible for administering two or more segments, where it allocates its costs to such segments and where at least one on the segments is required to file Parts I through VI of the Disclosure Statement.

The reporting unit (central system or group office) should disclose how costs of services provided by the reporting unit are, or will be, accumulated and allocated to applicable segments of the institution. For a central system office, disclosure should cover the entire institution. For a group office, disclosure should cover all of the subordinate organizations administered by that group office.

7.1.0 Organizational Structure.

On a continuation sheet, list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDC’s), Government-owned Contractor-operated (GOCO) facilities, and lower-tier group offices serviced by the reporting unit.

7.2.0 Cost Accumulation and Allocation.

On a continuation sheet, provide a description of:

A. The services provided to segments of the university or university system (including hospitals, FFRDC’s, GOCO facilities, etc.), in brief.

B. How the costs of the services are identified and accumulated.

C. The basis used to allocate the accumulated costs to the benefiting segments.

D. Any costs that are transferred from a segment to the central system office or the intermediate administrative office, and which are reallocated to another segment(s). If none, so state.

E. Any fixed management fees that are charged to a segment(s) in lieu of a prorata or allocation basis and the basis of such charges. If none, so state.
Part VII – Continuation Sheet

7.1.0 Organizational Structure

The University of California system is coordinated by an Office of the President, composed of the President, Vice Presidents, Regents Officers, and their staffs. The President reports to The Board of Regents of the University of California, a body of 18 appointed and 7 *ex officio* members. The primary function of the Office of the President is to represent the University of California system, shown as segments below, as a single institution to state and federal agencies, particularly in matters of budget and legislation, and to set system-wide policy and direction. In addition, some research and public service funds are held at the corporate office and allocated annually to campuses, as are library and affirmative action provisions. The Division of Agriculture and Natural Resources, a statewide system of campus-based academic and research programs, county cooperative extension offices and many special statewide projects, is coordinated by one of the Vice Presidents.

University Campus Segments:
- University of California, Berkeley
- University of California, Davis
- University of California, Irvine
- University of California, Los Angeles
- University of California, Merced
- University of California, Riverside
- University of California, San Diego
- University of California, San Francisco
- University of California, Santa Barbara
- University of California, Santa Cruz

Government-owned Contractor-operated (GOCO) Segments:
- Ernest Orlando Lawrence Berkeley National Laboratory
- Lawrence Livermore National Laboratory
- Los Alamos National Laboratory

Teaching Hospital Segments:
- University of California, Davis Medical Center
- University of California, Irvine Medical Center
- University of California, Los Angeles Medical Center
- University of California, San Diego Medical Center
- University of California, San Francisco Medical Center
7.2.0 Cost Accumulation and Allocation
Revised

A. Services performed at the Office of the President on behalf of the entire University include the following: research funding allocations; academic planning; health science programs; faculty, staff and student policies; budget development, negotiation, and allocation; external and governmental relations; facilities administration; audit; corporate accounting; research policy; central administrative databases; treasurer functions; and legal affairs. There are also special services requested by and performed for specific campuses.

B. As described in sections 1.1.0 and 1.2.0 above, the financial accounting system records and accumulates expenditures according to funding source, program purpose and expense categories. The expenditures of the Office of the President as well as those at each of the ten campus locations are separately identifiable within the formal accounting system. The information accumulated in the accounting system is reclassified into cost pools in accordance with OMB Circular 2 CFR Part 200.

C. Office of the President costs are reclassified into the cost pools of building use, equipment use, operation and maintenance, general administration, sponsored project administration, library, student administration and services, instruction, research, other sponsored activities and other institutional activities. Adjustments are made to these pools to reflect services provided to the Government-owned, Contractor-operated facility and five teaching hospitals. The building and, equipment and operation and maintenance interest costs which support the departments and units within the Office of the President are allocated to the other cost pools within the Office of the President based on salary and wages total assigned square footage. The equipment costs which support the departments and units within the Office of the President are allocated to the other cost pools within the Office of the President based on salary and wages. Operation and maintenance costs such as facility planning which benefit the entire University are allocated to campuses based on the ratio of total assigned square footage at the campuses. General administration costs are allocated to campuses based on the ratio of total current funds expenditures at the campuses. Sponsored projects administration costs are allocated to campuses based on the ratio of total sponsored project receipts at the campuses. California Digital Library costs are allocated 10% to the Office of the President, and 90% to campuses based on the ratio of total library costs at the campuses. Library costs are allocated to campuses based on the ratio of total library costs at the campuses. Student administration and services costs are allocated to campuses based on the ratio of total student activity costs at the campuses. Services performed for specific campuses are recharged to those campuses and do not appear as central office costs. Details of the cost pool adjustments made to reflect the cost of services provided by the Office of the President to the GOCO facilities and medical centers are contained in the cost plan for the UC Office of the President, submitted to the HHS Division of Cost Allocation as part of their review of the Facilities and Administrative Rate Proposal.

D. None. Beginning July 1, 2020, the accounting office of the Los Angeles campus will no longer provide general accounting support for the Office of the President.
E. None.

End of Part VII