1. **Major functions of an institution** refers to **instruction, organized research, other sponsored activities** and other institutional activities as defined below:

   a. **Instruction** means the teaching and training activities of an institution. Except for research training as provided in subsection b, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Also considered part of this major function are departmental research, and, where agreed to, university research.

      (1) Sponsored instruction and training means specific instructional or training activity established by grant, contract, or cooperative agreement. For purposes of the cost principles, this activity may be considered a major function even though an institution’s accounting treatment may include it in the instruction function.

      (2) Departmental research means research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Departmental research, for purposes of this document, is not considered as a major function, but as a part of the instruction function of the institution.

   b. **Organized research** means all research and development activities of an institution that are separately budgeted and accounted for. It includes:

      (1) Sponsored research means all research and development activities that are sponsored by Federal and non Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

      (2) University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research, for purposes of this document, shall be combined with sponsored research under the function of organized research.

   c. **Other sponsored activities** means programs and projects financed by Federal and non Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects, and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

   d. **Other institutional activities** means all activities of an institution except:

      (1) instruction, departmental research, organized research, and other sponsored activities, as defined above;

      (2) F&A cost activities identified in Section F; and

      (3) specialized service facilities described in Section J.47. Other institutional activities include operation of residence halls, dining halls, hospitals and clinics, student unions, intercollegiate athletics, bookstores, faculty housing, student apartments, guest houses, chapels, theaters, public museums, and other similar auxiliary enterprises. This definition also includes any other categories of activities, costs of which are “unallowable” to sponsored agreements, unless otherwise indicated in the agreements.

   = Gray areas which might be processed by either business affairs, purchasing, or OGRD. If still unclear after utilizing the decision tree, individuals should direct their questions to Business Affairs or OGRD. The two offices will work together to determine who should handle the contract.