

+/- 5% OR +/- 15% BREAKEVEN CALCULATION EXAMPLES

Exhibit B

Year-To-Date (YTD) Revenues, less YTD Expense, plus or minus the prior year balance carryforward (PYB) equals the service center's Net Balance.

The +/-15% for academic centers or +/-5% for administrative centers breakeven calculation equals the Net Balance, divided by the YTD expense plus or minus the prior year balance carryforward (PYB).

$$\begin{array}{rcl} & & \text{YTD Revenues} \\ & \text{less} & \text{YTD Expense} \\ & \text{plus or minus} & \text{PYB} \\ & & \hline & \text{equals} & \text{Net Balance} \\ & & \\ & & \text{Net Balance} \\ \text{Breakeven \%} = & & \hline & & \text{YTD expense +/-PYB} \end{array}$$

Examples for an Administrative Service Center with a +/- 5% Breakeven

1. An administrative service center's first year of operation, or a prior year balance (PYB) carryforward of zero. Income equals \$4,000,000, expense equals \$4,150,000.

$$\begin{array}{rcl} \text{YTD Revenues} = & \$ & 4,000,000 \\ \text{less YTD Expense} = & & (4,150,000) \\ \text{plus or minus PYB} = & & 0 \\ & & \hline \text{Net Balance} = & \$ & (150,000) \quad \text{loss/under-recovery} \\ & & (150,000) \\ \text{Breakeven \%} = & & \hline & & (3.61\%) \text{ under-recovered} \\ & & \$ & 4,150,000 \end{array}$$

The service center is within +/-5%. No action is necessary.

2. Next year: same service center, same revenues and expense.

$$\begin{array}{rcl} \text{YTD Revenues} = & \$ & 4,000,000 \\ \text{less YTD Expense} = & & (4,150,000) \\ \text{plus or minus PYB} = & & (150,000) \\ & & \hline \text{Net Balance} = & \$ & (300,000) \quad \text{loss/under-recovery} \\ & & (300,000) \\ \text{Breakeven \%} = & & \hline & & (6.98\%) \text{ under-recovered} \\ & & \$ & 4,300,000 \end{array}$$

The administrative service center will probably choose to offset the \$300,000 loss with unrestricted departmental funds rather than charge all users a prorated portion of the loss.

3. Administrative service center PYB was an overrecovery of \$75,000 instead of the \$150,000 underrecovery PYB in Example 2. Revenue and expense are unchanged.

YTD Revenues =	\$ 4,000,000	
less YTD Expense =	(4,150,000)	
plus or minus PYB =	75,000	
	<hr/>	
Net Balance =	\$ (75,000)	loss/under-recovery
	(75,000)	
Breakeven % =	<hr/>	(1.84%) under-recovered
	\$ 4,075,000	

The service center is within +/-5%. No action is necessary.

4. Service center overrecovery, within breakeven:

YTD Revenues =	\$ 4,000,000	
less YTD Expense =	(4,150,000)	
plus or minus PYB =	175,000	
	<hr/>	
Net Balance =	\$ 25,000	gain/over-recovery
	25,000	
Breakeven % =	<hr/>	0.63% over-recovered
	\$ 3,975,000	

The administrative service center is within +/-5%. No action is necessary.

5. Administrative service center overrecovery, outside breakeven:

YTD Revenues =	\$ 4,000,000	
less YTD Expense =	(4,150,000)	
plus or minus PYB =	380,000	
	<hr/>	
Net Balance =	\$ 230,000	gain/over-recovery
	230,000	
Breakeven % =	<hr/>	6.1% over-recovered
	\$ 3,770,000	

The entire overrecovery, \$230,000, would have to be refunded proportionately among the service center's users. Since administrative centers generally have hundreds of accounts, they are very motivated to maintain a strict watch throughout the year to avoid this extremely tedious task.

Examples for an Academic Service Center with a +/- 15% Breakeven:

1. An academic service center's first year of operation, or a prior year balance (PYB) carryforward of zero. Income equals \$300,000 expense equals \$270,000.

YTD Revenues =	\$ 300,000	
less YTD Expense =	(270,000)	
plus or minus PYB =	<u>0</u>	
Net Balance =	\$ 30,000	gain/over-recovery
	<u>30,000</u>	
Breakeven % =	\$ 270,000	11.1% over-recovered

The service center is within +/- 15%. No action is necessary.

2. Next year: same service center, same revenues and expense.

YTD Revenues =	\$ 300,000	
less YTD Expense =	(270,000)	
plus or minus PYB =	<u>30,000</u>	
Net Balance =	\$ 60,000	gain/over-recovery
	<u>60,000</u>	
Breakeven % =	\$ 240,000	25.0% over-recovered

The academic service center will have to refund the \$60,000 gain proportionately to all users.

3. Or next year: same service center, same revenues but an increase in expense.

YTD Revenues =	\$ 300,000	
less YTD Expense =	(400,000)	
plus or minus PYB =	<u>30,000</u>	
Net Balance =	\$ (70,000)	loss/under-recovery
	<u>(70,000)</u>	
Breakeven % =	\$ 370,000	(18.92%) under-recovered

The academic service center will have to charge the \$70,000 loss proportionately to all users or subsidize the loss from a departmental gift or unrestricted fund.