<u>+/- 5% OR +/- 15% BREAKEVEN CALCULATION EXAMPLES</u>

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).

	YTD Revenues
less	YTD Expense
plus or minus	PYB
equals	Net Balance

$$\text{Breakeven \%} = \frac{\text{Net Balance}}{\text{YTD expense +/-PYB}}$$

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

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.

YTD Revenues =	$ 4,000,000	
less YTD Expense =	(4,150,000)	
plus or minus PYB =	0	
Net Balance =	$ (150,000)	loss/under-recovery

$$\text{Breakeven \%} = \frac{(150,000)}{\$\ 4,150,000} \qquad (3.61\%)\ \text{under-recovered}$$

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

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

YTD Revenues =	$ 4,000,000	
less YTD Expense =	(4,150,000)	
plus or minus PYB =	(150,000)	
Net Balance =	$ (300,000)	loss/under-recovery

$$\text{Breakeven \%} = \frac{(\,300,000)}{\$\ 4,300,000} \qquad (6.98\%)\ \text{under-recovered}$$

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 <u>overrecovery</u> 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
Net Balance =	$ (75,000) loss/under-recovery

$$\text{Breakeven \%} = \frac{(75,000)}{\$\ 4,075,000} \quad (1.84\%) \text{ under-recovered}$$

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
Net Balance =	$ 25,000 gain/over-recovery

$$\text{Breakeven \%} = \frac{25,000}{\$\ 3,975,000} \quad 0.63\% \text{ over-recovered}$$

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
Net Balance =	$ 230,000 gain/over-recovery

$$\text{Breakeven \%} = \frac{230,000}{\$\ 3,770,000} \quad 6.1\% \text{ over-recovered}$$

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 =	0	
Net Balance =	$ 30,000	gain/over-recovery
Breakeven % =	$\dfrac{30,000}{\$\ 270,000}$	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 =	30,000	
Net Balance =	$ 60,000	gain/over-recovery
Breakeven % =	$\dfrac{60,000}{\$\ 240,000}$	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 =	30,000	
Net Balance =	$ (70,000)	loss/under-recovery
Breakeven % =	$\dfrac{(70,000)}{\$\ 370,000}$	(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.