External Sales Reserve

Core Facilities Workshop

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External Sales Reserve

Amount of external sales revenue above breakeven

Calculated using 55.5% F&A rate for revenue generated after 7/1/2020

Funds belong to the core and must be used for core activities

Top priority: to reduce cost overruns/deficits

If core is operating in a surplus, may be used at core’s discretion
- Expenses must benefit the core
- Some expenses are unallowable, even on ESR
## External vs. Internal Rates

<table>
<thead>
<tr>
<th><strong>Minimum External Rate</strong></th>
<th>= Breakeven Rate + 55.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Market Rate</strong></td>
<td>= rate set by core based on market (must be higher than minimum external rate)</td>
</tr>
<tr>
<td><strong>Academic Institutions</strong></td>
<td>– charged the minimum external rate</td>
</tr>
<tr>
<td><strong>Industry, other external customers</strong></td>
<td>– charged the higher of minimum external rate or market rate</td>
</tr>
<tr>
<td><strong>NC State</strong></td>
<td>should be charged internal breakeven rate</td>
</tr>
<tr>
<td><strong>All rates charged</strong></td>
<td>must be reviewed and approved by OSP Cost Analysis and Compliance (2 years)</td>
</tr>
</tbody>
</table>
## Unallowable Expenses

<table>
<thead>
<tr>
<th>NOT allowable on</th>
<th>Scholarship/Fellowships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recharge Source</td>
<td>Entertainment Costs/Alcoholic Beverages/Gifts (includes food)</td>
</tr>
<tr>
<td>and External Sales Reserve</td>
<td>Decorations</td>
</tr>
<tr>
<td></td>
<td>Employee Awards</td>
</tr>
<tr>
<td></td>
<td>Bad Debts</td>
</tr>
<tr>
<td></td>
<td>Goods or services for personal use</td>
</tr>
<tr>
<td></td>
<td>Fines and penalties resulting from violations of (or non-compliance with) Federal, State, or local laws and regulations</td>
</tr>
<tr>
<td></td>
<td>Donations and Contributions</td>
</tr>
<tr>
<td></td>
<td>RSC operations costs used as a source for cost sharing</td>
</tr>
</tbody>
</table>
Unallowable Expenses in Rates/ on Recharge Source

<table>
<thead>
<tr>
<th>NOT allowable in Rates or on Recharge Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>General office supplies</td>
</tr>
<tr>
<td>Administrative salaries (unless accurately allocated)</td>
</tr>
<tr>
<td>Dues and memberships (unless directly related to activities of the core)</td>
</tr>
<tr>
<td>General advertising/marketing</td>
</tr>
<tr>
<td><em>These expenses are allowable on External Sales Reserve</em></td>
</tr>
</tbody>
</table>
# Allowable Expenses

<table>
<thead>
<tr>
<th>Allowable on External Sales Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>General office supplies</td>
</tr>
<tr>
<td>Equipment (must be approved by OSP CAC if over $5,000)</td>
</tr>
<tr>
<td>Administrative salaries</td>
</tr>
<tr>
<td>Dues and memberships</td>
</tr>
<tr>
<td>Advertising/marketing</td>
</tr>
</tbody>
</table>
Simple ESR Calculation

External Revenue
\[ \div 1.555 \]
Breakeven Amount of Sales

External Revenue
- Breakeven Amount of Sales
External Sales Reserve

*External Sales Reserve CANNOT exceed overall surplus amount*

*If core is in a deficit at time of OSP review, External Sales Reserve = $0.*
True ESR Calculation

Cumulative External Sales Reserve
+ Current external sales reserve
- Cumulative Accumulated Depreciation balance
- Current Accumulated Depreciation
- Cumulative office supplies/unallowable expenses
- Current office supplies/unallowable expenses
= Total Available External Sales Reserve

External Sales Reserve CANNOT exceed overall surplus amount

If core is in a deficit at time of OSP review, External Sales Reserve = $0.
ESR Calculation Examples (Annual)*

External Sales Revenue = $100,000
Breakeven Portion (Ext. Sales / 1.555) = $64,308.68
Possible External Sales Reserve (Ext. Sales – Breakeven) = $35,691.32

Recharge Balance = $50,000 surplus
  ESR = $35,691.32

Recharge Balance = $10,000 surplus
  ESR = $10,000.00

Recharge Balance = $10,000 deficit
  ESR = $0

*These examples do not account for accumulated depreciation

If core is in a deficit at time of OSP review, External Sales Reserve = $0. May have ramifications on expenses charged to External Sales Reserve.
Questions

- Is there a need/way to specify that ESR is being used for a purchase?

- What exactly can it be used for? Do you have any suggested approaches for tracking? Is a manual spreadsheet sufficient for documentation?

- How do you track ESR over multiple years?
Questions?
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