9.4 Year End Actions

At year-end, a comprehensive Cost Analysis must be submitted to SOM Finance. The year-end Cost Analysis must include the following:

- **Year-End Narrative**
  - SOM designated Core facilities are required to submit an annual report to the SOM Core Committee. This effort does **not** have to be duplicated for SOM Division of Finance unless there have been significant events between the annual report submission and year-end that will materially affect the Cost Analysis.
  - Departmental Service Centers must submit a narrative that discusses the overall operation of the Service Center. This information should correspond with the financial schedules provided in the year-end Cost Analysis. Below are suggested areas to discuss in the narrative:
    - Volume - explain volume fluctuations - did it increase, decrease, stay the same, or did any notable users begin or stop using the Service Center? Compare what actually happened this fiscal year with what you projected to happen at the beginning of the fiscal year.
      - For example, if you projected a 20% drop-off in revenue because Dr. Maloney was moving to another institution yet revenue stayed the same, explain in detail what events made that possible (e.g. new awards, new faculty, new users, new services, etc.).
    - Rates - were there any mid-year rate changes; if so explain what factors led to that decision and the impact of that decision.
    - Costs - explain in detail any fluctuations in costs from budget to actual based on occurrences during the year.
    - Market - this is an opportunity to discuss the role of the Service Center and how changes in demand from internal and external users affect the solvency of the Service Center. Other market forces can be new technology, change in scientific need, and so on. This element is important because it may clarify issues raised elsewhere.

- **Detailed Budget**
  - Prepare a budget for the upcoming fiscal year, including the following:
    - List all staff, title, levels of effort, and role in the Service Center
    - List all fixed costs (e.g. service contracts, equipment depreciation, telecommunications, etc.)
    - Estimate all variable costs (e.g. supplies, raw materials, etc.)
    - All costs need to be summed by Object Code
Year End Actions

- **Projected Volume of Users for Upcoming Fiscal Year**
  - Show last fiscal year actual volume but listing the top users by PI name, department or institution, funding sources, and volume in units
  - Estimate volume for upcoming fiscal year by also listing the top users by PI name, department or institution, funding sources, and volume in units

- **Updated Equipment Depreciation Schedule**
  - When annual equipment depreciation expense is included in the Cost Analysis, a schedule of Equipment is needed.
  - Include equipment description, asset ID#, PO# used to purchase the item, original funding source, acquisition cost, date placed in service, original useful life, accumulated depreciation expense booked to date, and the remaining useful life.

- **Rate Schedule for Upcoming Fiscal Year**
  - Provide a list of rates for each item to be charged to different user groups: Internal Users, Users eligible for subsidies, and External Users for the upcoming fiscal year
  - Each rate schedule needs to be developed considering the variable costs to provide each service plus an allocation of the fixed costs
  - The rate schedules **cannot be arbitrary**—they must be developed based on the costs to provide the service divided by the anticipated volume for each service.
  - Rates should not stay the same when the Service Center has volume and/or cost changes coupled with a surplus or a deficit. Every Service Center is different but their end goal remains the same, which is to break-even.
Break-Even Analysis

- This analysis is the final step to bring your Cost Analysis together, presented in a *profit and loss statement* format.
- University policy allows a small surplus or deficit variance at the end of the fiscal year; however, a Service Center **must** be set-up with the intention to break-even, where budgeted revenue less expenses will equal zero.
- Revenue must tie to the schedule of projected volume multiplied by the rate for each service.
- Expenses must tie to the detailed budget.
- Revenue less expenses must equal zero.
- The break-even analysis must include any cumulative surplus or deficit, where the end result is a zero balance.

The annual cost analysis is submitted to SOM Division of Finance at year-end and is reviewed for accuracy, completeness, and adherence to compliance requirements. Errors, omissions, and clarifications will be worked out between the Service Center Financial Administrator and SOM Division of Finance. The final cost analysis will be presented to the University Office of Research Services, Director of Cost Analysis for institutional approval.

Any requests to change rates mid-year follow the same process where the Service Center Financial Administrator contacts SOM Division of Finance, who will consult with and present the final action to the University Office of Research Services, Director of Cost Analysis for institutional approval.