

External Sales Reserve

Core Facilities Workshop

January 17, 2023



Contact Information

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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

-  Minimum External Rate = Breakeven Rate + 55.5%
-  External Market Rate = rate set by core based on market (must be higher than minimum external rate)
-  Academic Institutions – charged the minimum external rate
-  Industry, other external customers – charged the higher of minimum external rate or market rate
-  NC State should be charged internal breakeven rate
-  All rates charged must be reviewed and approved by OSP Cost Analysis and Compliance (2 years)



Unallowable Expenses

**NOT
allowable
on
Recharge
Source and
External
Sales
Reserve**

Scholarship/Fellowships

Entertainment Costs/Alcoholic Beverages/Gifts (includes food)

Decorations

Employee Awards

Bad Debts

Goods or services for personal use

Fines and penalties resulting from violations of (or non-compliance with) Federal, State, or local laws and regulations

Donations and Contributions

RSC operations costs used as a source for cost sharing



Unallowable Expenses in Rates/ on Recharge Source

**NOT
allowable
in
Rates or
on
Recharge
Source**

General office supplies

Administrative salaries (unless accurately allocated)

Dues and memberships (unless directly related to activities of the core)

General advertising/marketing

These expenses are allowable on External Sales Reserve



Allowable Expenses

**Allowable
on
External
Sales
Reserve**

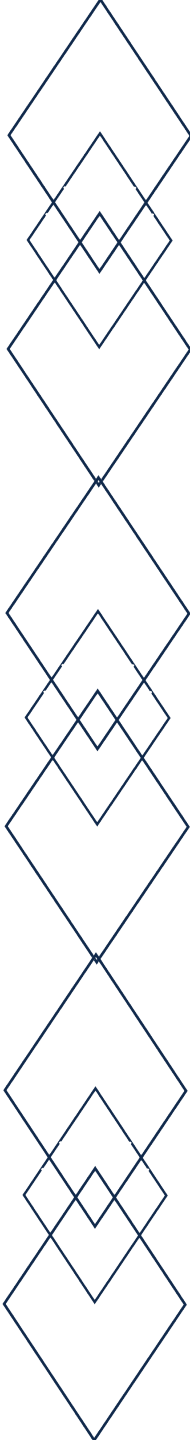
General office supplies

Equipment (must be approved by OSP CAC if over \$5,000)

Administrative salaries

Dues and memberships

Advertising/marketing



Simple ESR Calculation

External Revenue

\div 1.555

Breakeven Amount of Sales

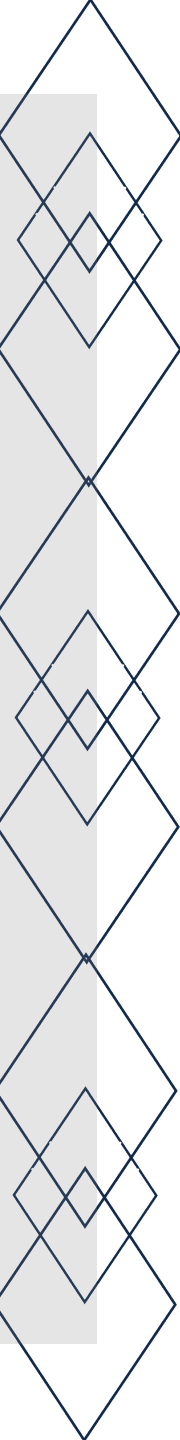
External Revenue

- 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 = as of last rate
review

Current = since last rate
review

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)*

*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*

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

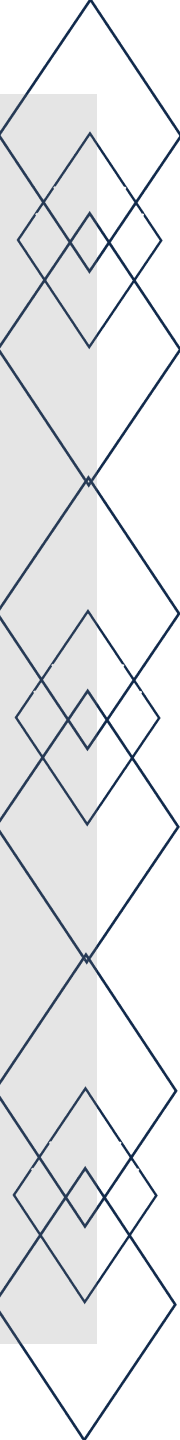
Recharge Balance = \$10,000 surplus

ESR = \$10,000.00

Recharge Balance = \$10,000 deficit

ESR = \$0

*These examples do not account for accumulated depreciation



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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