

Northwestern University
Instructions for Using the Pass Through Rate Calculation Template

The template consists of 3 worksheets, which contain numerous formulas and links to each other. The intent is that the facility need only to concern itself with dropping information into the green shaded cells (the blue shaded cells fill in automatically), as well as filling in the names of the services provided (the boxes shaded Tan, Blue, and Pink on several of the worksheets). The worksheets should automatically do the summations and calculations. (One hint is if a cell is not in use but – after all of your inputs have been entered - has a #DIV/0! in it, replace that #DIV/0! with the number 0). Because each NU facility tends to be unique, there will likely be modifications to this generic template to accommodate the specifics of your facility. Cost Studies is here to assist with this...

In concept, the template identifies the major cost components of a facility, allocates them across the facility's services, and then divides the total cost of each service by the expected usage to arrive at calculated rates. Specifically, and in order of suggested use:

- 1) **Description of Services (NEW)** worksheet. Enter FULL name and brief description for each service. Also, select one of the options provided in the green cells and, list name(s) of your external costumers in column "F" if applicable.
- 2) **Equipment** worksheet. The first area to fill out on this worksheet is the Equipment Depreciation area. All green cells should be filled out. The equipment to be depreciated would be capital equipment (> \$5,000 in cost, useful life of at least one year). If you provide me with the Inventory Tag Numbers, I will be able to identify the rest of the information in this section. The second area is the Service Contracts area. Fill in the green cells here, if applicable. Finally, you will need to drop in the %s by service at the bottom (which will allocate the equipment and service contract expenses to the various services).
- 3) **Non-labor Exp** worksheet. The necessary columns to fill out here include the estimated expense for the coming fiscal year, as well as the portion of that expense that would be covered by sponsored projects. The net amount would then have to be split amongst the various services provided by the recharge center. The green cells on this worksheet should be filled out with an amount or if not applicable, the amount should be zero. Capital Equipment (depreciation) expenses belong on the Equipment worksheet. Note that the items listed on the template are only examples and should be changed to reflect the types of expenses the facility expects to incur.
- 4) **Summary** worksheet. Data from the previous worksheets should flow in. Complete the green cells. The key data inputs here are the allocation of any surplus/deficit to the various services, as well as the Projected Utilizations (internal and external) for the year. The green shaded boxes, on the Surplus/Deficit line, should reflect a dollar amount which represents the carry-forward amount of surplus/deficit from the prior year for each service. For Pass-Through operations, there should be no surplus or deficit so this line, so the surplus or deficit will be zero. Once the projected utilization numbers have been put in, the calculated rates should appear. You will still have to input the actual rates you are choosing to charge. The bottom half (below the dotted line) is for your internal use; it's not necessary to complete immediately.

Although the final calculations do not have to conform precisely to this format, it is necessary that a documented methodology exist to support the rates charged, especially to NU sponsored projects, in the event of a federal audit. Federal accounting standards require that facilities perform at least an annual review of their revenue v. expense position and adjust rates accordingly.