

REVENUE AND EXPENSE ALLOCATION PRACTICES

In thousands of dollars, unless otherwise noted

Case Western Reserve University (the “University”) operates under a decentralized structure with the philosophy that each management center is responsible for the planning and implementation of academic programs, revenue development and expense management. This concept is implemented with all revenue, except Undergraduate tuition revenue, and direct expense flowing to their respective management center. Because not all revenue or expense is directly developed by a school, allocation rules assign certain revenue and indirect expense for support services. The operating principle guiding these rules is that they fairly assign revenue or expense as a proxy for actual direct generation of revenue or occurrence of expense.

REVENUE ASSIGNED

Tuition

A significant portion of Graduate and Professional Tuition is assigned to the schools in which the student is registered as a degree student. Credit hours taken in a school outside a student’s home school are assigned to the school teaching the credit hours for purposes of partial tuition revenue allocation.

The rate used to calculate the Tuition assignment will be \$848 per credit hour in 2023, increasing at the same rate as the increase in Graduate Tuition revenue in subsequent years. Any program exemptions from this model must be approved through a formal process administered by the University Budget Committee.

Undergraduate Tuition is assigned to those schools that teach undergraduates, primarily the College of Arts and Sciences, the Case School of Engineering, Weatherhead School of Management and the Frances Payne Bolton School of Nursing. SAGES tuition is distributed to the units teaching those courses. Tuition revenue, net of unfunded financial aid, is distributed among the schools as follows: 85% is assigned based upon the proportion of undergraduate student credit hours taught by each school in 2020 and 2021; the remaining 15% is assigned based upon the proportion of baccalaureate majors of the graduating students in 2020 and 2021.

Undergraduate tuition assignment is based on:

5,832 students for the academic year
 28.2 credit hours/student
 1,550 first-year students

Undergraduate Tuition Revenue	\$308,731
Less: Strategic Reserve	(3,780)*
Less: Unfunded Student Aid	(155,383)*
UG Tuition Distributed to Schools	\$149,568

Regular Credit Hour Distribution	\$116,908
SAGES Credit Hour Distribution	10,225
Majors Granted Distribution	22,435
Total UG Tuition Distribution	\$149,568

*100% assigned to UGEN

Undergraduate tuition revenue is distributed using the average credit hours taught by the management center in 2020 and 2021 to calculate the percentage distribution. The majors of the graduating students is an average of 2020 and 2021.

Undergraduate Tuition Distribution and Total Revenue:

	Regular Credit Hour Distribution	SAGES Credit Hour Distribution	Majors Granted Distribution	Total Tuition Distribution
CAS	\$64,081	\$3,150	\$7,694	\$74,925
CSE	29,084	753	8,867	38,704
WSOM	12,499	512	2,845	15,856
MSASS	246	–	–	246
LAW	–	88	–	88
DENT	–	62	–	62
NURS	5,910	365	1,358	7,633
CSOM	5,088	162	1,671	6,921
UGEN	–	5,133	–	5,133
TOTAL	\$116,908	\$10,225	\$22,435	\$149,568
Unfunded Aid				155,383
Strategic Reserve				3,780
TOTAL UNDERGRADUATE TUITION REVENUE				\$308,731

Endowment

Endowment funds are classified as belonging to a school or University General, and largely pooled for investment purposes. The amount or payout rate made available from the pool to operations each year is approved by the Trustees and considers not only current operational needs, but also long-term interests of intergenerational equity for future endowment beneficiaries. For 2023, the payout rate for the current year spending pool allocation is 4.80%. In addition, the Trustees approved a distribution of 0.8% (\$16.0 million) for administrative expense to administer the endowment. Endowment revenue is allocated based on the twelve quarter average market value of funds as of June 30, 2021. Revenue from new gifts and/or additions to existing gifts will be allocated one year after receipt. The revenue from a small number of endowment funds jointly shared by the schools teaching undergraduates is assigned based upon undergraduate credit hours taught. Funds Held by Others (FHBO) and Un-pooled funds are managed outside the University's pooled investment and are not considered in the spending allocation. Income generated by FHBO and Un-pooled funds is sent to the University, then distributed to the appropriate management center(s).

	Estimated Unused Income Beginning of Year	Current Year Allocation	FHBO	Un-pooled	Total Available	2023 Budget*	Estimated Unused Income End of Year
CAS	\$9,432	\$13,444	\$3,404	\$-	\$26,280	\$17,836	\$8,444
CSE	5,943	9,954	1,045	-	16,942	9,938	7,004
WSOM	4,274	5,430	334	-	10,038	4,848	5,190
MSASS	402	2,519	-	-	2,921	2,420	501
LAW	1,412	5,352	700	131	7,595	5,629	1,966
DENT	1,243	786	598	-	2,627	1,351	1,276
NURS	1,976	3,788	-	-	5,764	4,537	1,227
CSOM	31,088	19,816	9,935	-	60,839	29,566	31,273
UGEN	11,060	14,121	-	-	25,181	14,447	10,734
TOTAL	\$66,830	\$75,210	\$16,016	\$131	\$158,187	\$90,572	\$67,615
Supplemental Distribution – Administrative support						16,035	
TOTAL ENDOWMENT REVENUE						\$106,607	

* Includes temporarily restricted funds functioning as endowments and board-designated funds for LAW.

Other Revenue

All other revenue is developed directly by the schools' efforts and the schools receive full credit for sums received. Revenue generated for the University as a whole is attributed to University General. Revenue shown as restricted is only to be used by a particular school or for a particular purpose. Restricted revenue (restricted endowment, research and training grants, and restricted gifts) supports "funded" expense. In these instances, revenue is recognized as the matching expense is incurred. All other revenue is unrestricted and flows directly to the management center that generated the revenue. This revenue is recorded when received and supports a school's unrestricted and "indirect" expense.

INDIRECT EXPENSE ASSIGNED

Each school incurs operating expense that appears in the budget as “Direct Expense.” These expenditures include faculty, staff and student salaries, fringe benefits, graduate and professional student aid, and non-salary expense. In addition, each school is allocated a share of the expense to provide central and support services. These expenditures are categorized as Library, Student Services, Plant Services, Information Technology Services and University Services and are recorded in each budget summary as indirect expense.

Indirect Expense Simplification

Beginning in 2019, certain changes were implemented in Indirect Expense assigned. The change reduced the number of cost drivers to five and retained the current Library allocation and the current Utilities Non-salary cost allocation. In summary, Indirect Expense is allocated using the following cost drivers:

Cost Driver	Indirect Expense Proportion
Current Utilities Non-salary Allocation	Historical Calculation
Current Library Allocation	Historical Calculation
Undergraduate FTE	9.8% of Remaining Indirect Expense
Student Head Count	14.7% of Remaining Indirect Expense
Faculty/Staff Count	2.9% of Remaining Indirect Expense
Square Footage	19.4% of Remaining Indirect Expense
Direct Expense Percentage	31.7% of Remaining Indirect Expense

The data used to calculate the expense allocation represent a sub-set of existing cost drivers historically used to calculate the Indirect Expense allocation. The final Indirect Expense allocation, as shown below, is not reported in the Operating Statement as a single line item for each management center. For comparability with prior years, we have retained the former Indirect Expense allocation, as described within this appendix. Any reconciling differences between the historical Indirect Expense allocation and the below Indirect Expense allocation are reflected in the University Services cost pool on the Operating Statement.

Indirect Expense Allocation

	Undergraduate FTE	Student Headcount	Faculty/Staff Count	Square Footage	Direct Expense Percentage	Utilities Non-salary	Library Allocation	Total Allocation
CAS	\$8,733	\$7,554	\$829	\$6,680	\$6,639	\$2,507	\$3,210	\$36,152
CSE	4,588	4,857	505	6,768	7,053	3,195	2,049	29,015
WSOM	1,873	3,255	269	2,112	3,668	668	1,337	13,182
MSASS	24	622	253	721	2,204	223	529	4,576
LAW	10	1,361	187	1,379	2,872	390	2,208	8,407
DENT	8	880	263	1,751	2,359	975	375	6,611
NURS	859	1,590	312	927	2,370	498	651	7,207
CSOM	765	5,478	2,447	14,206	29,109	13,178	2,677	67,860
UGEN	589	435	-	-	-	-	1,738	2,762
TOTAL	\$17,449	\$26,032	\$5,065	\$34,544	\$56,274	\$21,634	\$14,774	\$175,772
HEC Expense								9,318
Salary Pool Retained								17,326
Revenue Offsets & COVID-19 Costs								37,318
TOTAL INDIRECT EXPENSE ALLOCATION								\$239,734

Library

Library includes the operation of the University Library, Health Science Library, Law Library, and the MSASS Library. 75% of the University Library expense is distributed to the core colleges – CAS, CSE, WSOM and a small portion to NURS to recognize support of the BSN program. The remaining 25% is distributed to the other schools. 75% of the Health Science Library expense is distributed to CSOM, DENT, and NURS, with 25% assigned to the other schools. MSASS supports 75% of its Library with the balance distributed to the other schools. LAW pays 100% of its own Library’s expense; however, its share of the other Library expense is calculated without the inclusion of estimated materials expense in those Libraries because LAW covers the full expense for its own extensive materials collection. The allocation uses un-weighted student, faculty, and staff counts.

Library Expense Assigned, by Management Center:

	University Library	Health Science Library	MSASS Library	Law Library	Total Library Allocation
CAS	\$2,947	\$222	\$41	\$–	\$3,210
CSE	1,881	142	26	–	2,049
WSOM	1,227	93	17	–	1,337
MSASS	145	25	359	–	529
LAW	121	56	8	2,023	2,208**
DENT	190	179	6	–	375
NURS	426	216	9	–	651
CSOM	1,402	1,282	42	–	2,726
UGEN	–	–	86	–	86
TOTAL	\$8,339	\$2,215	\$594	\$2,023	\$13,171
Unallocated Library Expense (100% to UGEN):					
Endowment Support					1,422
Unallocated Library (100% to UGEN)*					181
TOTAL LIBRARY	\$8,339	\$2,215	\$594	\$2,023	\$14,774

***The Law school contribution to the other Libraries was calculated separately using only the non-materials portion of those Library budgets.*

Student Services

Student Services include the expense associated with the following operations: Enrollment Management, Undergraduate Studies, Financial Aid, Registrar, Student Affairs, Career Planning, Educational Support Services, Thwing Center, International Students, Education Abroad, Minority Programs, Physical Education and Athletics, UCITE, SOURCE and the Dean of Graduate Studies. The expense associated with the SAGES program (net of the tuition generated by non-school based lecturers) is included in this category and is allocated on the basis of SAGES credit hours taught. direct expense methodology. The student numbers used in the assignment are an average of the 2020 and 2021 fall semester enrollment. The Student Services expense for each management center is determined by student and faculty/staff head count.

Most Student Services expense is assigned on the basis of the students benefiting from the program or service. Several programs are believed to have an overall University purpose and are assigned using the two-year average direct expense methodology. The student numbers used in the assignment are an average of the 2020 and 2021 fall semester enrollment. The Student Services expense for each management center is determined by student and faculty/staff head count.

Student Numbers used for the 2023 Budget, based on 2020 and 2021 fall semester average enrollment:

	Undergraduate FTE *	Undergraduate Headcount *	Graduate Full-Time	Graduate Part-Time	Professional Full-Time	Professional Part-Time	Total Head Count
CAS	2,751	2,808	447	32	–	–	3,287
CSE	1,445	1,475	604	112	–	–	2,191
WSOM	590	602	45	6	565	199	1,417
MSASS	8	8	27	5	366	45	451
LAW	3	3	–	–	553	36	592
DENT	3	3	–	–	370	11	384
NURS	271	276	34	2	243	138	693
CSOM	241	246	941	257	1,051	–	2,495
UGEN	185	189	–	–	–	–	189
TOTAL	5,497	5,610	2,098	414	3,148	429	11,699

**Percentage distribution for undergraduate full-time equivalency (FTE) and headcount uses two years' of credit hour data and is equal to the 2022 percentage distribution for net undergraduate tuition in schools. Graduate and Professional numbers are based on the Fall Semester enrollment statistics.*

2023 Student Services Expense Assigned, by Allocation Methodology:

	Undergraduate FTE	Student Head Count	Graduate Student Head Count	Graduate/Professional Head Count	University Services	SAGES	Faculty/Staff Count	Weighted Average Student Headcount	Total
CAS	\$7,346	\$948	\$246	\$49	\$39	\$(220)	\$64	\$542	\$9,014
CSE	3,858	610	368	66	42	(67)	39	330	5,246
WSOM	1,577	409	26	83	21	(36)	20	200	2,300
MSASS	21	78	16	27	13	–	19	32	206
LAW	10	171	–	60	17	(10)	14	69	331
DENT	6	111	–	39	14	(14)	20	46	222
NURS	722	199	18	43	14	(25)	24	97	1,092
CSOM	643	687	617	219	172	(9)	188	238	2,755
UGEN	512	56	–	–	–	(606)	–	34	(4)
TOTAL	\$14,695	\$3,269	\$1,291	\$586	\$332	\$(987)	\$388	\$1,588	\$21,162
Unallocated Student Services (100% to UGEN)									11,650
TOTAL STUDENT SERVICES									\$32,812

Graduate and Professional numbers are based on the Fall Semester Enrollment Statistics.

Plant Services

Plant Services include the expense for utilities (electricity, steam/gas, water/sewer, chilled water, and other services) and plant operations (custodial, building maintenance, security, and environmental health and safety). Utilities expense is assigned based on a weighted utilities rate. The rate is adjusted for the budget year to account for estimated changes in utility rates. An adjusted cost per square foot for utilities is calculated and multiplied by the gross square footage in each building.

Non-utility expense is assigned based upon the average remaining operating cost for all academic buildings in the University. The average cost per square foot is multiplied by the number of gross square feet assigned to each school or function. Utility and non-utility expense for parts of buildings used for indirect or support services (e.g. libraries, student services, or University administrative services), are first allocated to the support service and then reallocated through the appropriate basis.

Plant Services costs are distributed using ten separate allocation methodologies:

Category	Allocation Methodology
Direct Plant	Utilities and Space Charges
Administrative Space	University Service (Two-Year Average Direct Expense)
University Library	Total University Library Allocation
Health Science Library	Total Health Science Library Allocation
Student Services	Student Service Allocation Excluding Physical Education and SAGES Allocation
University Center	Total Headcount
Athletic Space	Total Physical Education Space Allocation
Shared Classroom	Undergraduate FTE Ratio
SAGES	Two-Year Average SAGES Credit Hours Taught
Waste Removal	Fixed Amount

Plant Services Allocation:

	Square Footage	% of Total	Total Direct Plant	Administrative Space	University Library	Health Science Library
CAS	591,143	19.3%	\$8,159	\$718	\$736	\$153
CSE	598,890	19.6%	8,912	763	400	83
WSOM	186,872	6.1%	2,450	397	295	61
MSASS	63,840	2.1%	831	238	47	23
LAW	122,013	4.0%	1,558	310	29	13
DENT	154,952	5.1%	3,176	255	52	129
NURS	81,998	2.7%	1,832	256	108	149
CSOM	1,257,158	41.1%	26,752	3,147	310	766
UGEN	–	0.0%	–	–	–	–
TOTAL	3,056,866	100.0%	\$53,670	\$6,084	\$1,977	\$1,377

	Student Services	Athletic Space	Shared Classroom	SAGES Allocation	Waste Removal (Fixed)	Total Plant Allocation
CAS	\$630	\$1,259	\$288	\$24	\$46	\$12,013
CSE	365	697	154	7	46	11,427
WSOM	158	334	63	4	–	3,762
MSASS	13	40	1	–	–	1,193
LAW	22	61	–	1	–	1,994
DENT	14	49	–	2	–	3,677
NURS	75	168	27	3	–	2,618
CSOM	183	428	24	1	373	31,984
UGEN	39	79	19	63	(465)	(265)
TOTAL	\$1,499	\$3,115	\$576	\$105	\$–	\$68,403
Unallocated Plant (100% to UGEN)						4,357
TOTAL PLANT						\$72,760

The Plant Services expense for each school or area is determined by each building's utilities rate and square footage. Utility expense is assigned based on a weighted utilities rate. The estimated annual expense is assigned based on square footage. The cost for Plant Services other than utilities is \$9.755 per gross square foot. This expense is assigned based upon square footage.

Information Technology Services (ITS)

Information Technology Services include the expense associated with establishing, maintaining, and providing services through the campus network, central information processing, research and academic computing, as well as the operations of the ITS division and the ERP Finance office. ITS expense is separated into four cost pools, each with its own distribution formula. The first pool, Core Technology, covers core network and infrastructure equipment, wiring and maintenance. It includes the debt service related to the deployment of this technology and is distributed on a square footage allocation, including a school's share of indirect space such as Library and Student Services space.

The Instructional component of the ITS budget is allocated using the two-year average student count. It includes support for academic technologies including Blackboard and Courseware lecture capture, the Student Information System, online learning programs and MOOCs, Active Learning Faculty Fellows, instructional design and other curriculum support. This component also includes the design, upgrade and operation of Technology Enhanced Classrooms and Active Learning Spaces, as well as the related debt service.

The expense associated with Core Administrative systems includes providing enterprise applications such as the HCM system, ERP Financial systems, Web Content Management, Identity Management and the software center. This component is distributed using the University Services distribution (a percentage of direct expense) and also includes related debt service on ERP system upgrades.

The remaining cost pool, referred to as Infrastructure, covers basic technology services including security, internet, email, servers, storage, voice and video communications, Help Desk and other network services. These services also include the support of research computing systems such as the High Performance Computing Cluster and the Secured Research Environment, as well as the related debt service. This expense is distributed using a faculty/staff/student count and utilizes the same counts used for the Library distribution.

Information Technology Costs Assigned, by cost pool:

	Core Technology	Instructional	Administrative	Infrastructure	Information Services
CAS	\$524	\$996	\$746	\$4,267	\$6,533
CSE	501	657	793	2,747	4,698
WSOM	177	392	412	1,635	2,616
MSASS	60	80	248	645	1,033
LAW	105	175	323	736	1,339
DENT	128	116	265	1,269	1,778
NURS	85	183	266	1,254	1,788
CSOM	1,094	738	3,271	4,584	9,687
UGEN	–	57	–	229	286
TOTAL	\$2,674	\$3,394	\$6,324	\$17,366	\$29,758
UGEN Strategic Savings Plan (100% to UGEN)					779
TOTAL INFORMATION TECHNOLOGY SERVICES					\$30,537

University Services

University Services include the general administrative expense associated with the following operations: Office of the President, Office of the Provost, International Affairs, Division of Finance, Office of Administration, Development and University Relations, Planning and Institutional Research, General Counsel, Technology Transfer and Research Administration and the Office of Inclusion, Diversity and Equal Opportunity. In addition, insurance expense, auditing, and other expense general to the operations of the University and not related specifically to programs of a particular school or function are charged in University Services to be allocated using the percentage of direct expense methodology. A two-year average, using the second and third years preceding the budget year, is used in the calculation; e.g. for Budget 2023, the average direct expense for 2020 and 2021. It should be noted that for this calculation, R&T expenditures based in the Cleveland Clinic Lerner College of Medicine (CCLCM), tuition expenditures associated with the CCLCM and expenditures related to CSOM off-campus locations have been deducted from the CSOM expense base. Further, the cost of Dental kits purchased and re-sold to students has been deducted from the DENT expense base. Lastly, third party servicing expense for CSE and MSASS distance learning programs have been deducted from the respective expense base.

Certain University Services expense is not allocated to the schools because there are revenue streams that support the expense. This includes the portion of Development, University Relations and other areas expense covered by the administrative support distribution from the endowment.

University Services expense is allocated based on the percentage of direct expense averaged over a two-year period.

Direct Expense (adjusted)

	2020	2021	Average 2020–2021	% of Total	University Services
CAS	\$74,150	\$72,292	\$73,221	11.8%	\$5,382
CSE	76,904	78,708	77,806	12.5%	5,595
WSOM	41,861	39,042	40,452	6.5%	3,207
MSASS	25,122	23,480	24,301	3.9%	1,615
LAW	32,331	31,009	31,670	5.1%	2,535
DENT	28,164	23,874	26,019	4.2%	2,784
NURS	26,475	25,811	26,143	4.2%	2,567
CSOM	330,409	311,662	321,036	51.7%	23,492
UGEN	–	–	–	0.0%	–
TOTAL	\$635,416	\$605,878	\$620,647	100.0%	\$47,177
Unallocated University Services (100% to UGEN)*					41,674
TOTAL UNIVERSITY SERVICES					\$88,851

*Includes unallocated UGEN merit pool for 4% and 4% additional University provision for salary increase.

HEALTH EDUCATION CAMPUS

Operating Expense budgeted to be incurred for the Health Education Campus (HEC) is purposely not included in the calculated portion of the simplified allocation changes for FY 2023. HEC operating costs included in the overall total for Indirect Expense are budgeted to be \$9.318 million and are concentrated in the Plant, ITS and University Services categories of Indirect Expense.

USE OF RETAINED SURPLUSES

Schools and auxiliaries are permitted to retain the excess of revenue over expense in a reserve account. Expenditures against the reserve account require the approval of the Provost and Chief Financial Officer. As all schools and auxiliaries are expected to operate in a financial equilibrium over the long run, current year losses must be charged against the reserve account.