

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 management-center derived revenue (except Undergraduate tuition revenue) and direct expense flowing to their respective management center. Additionally, because some sources of revenue and expense are not developed by management center, 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 \$955 per credit hour in 2027. This 3% increase from 2026 mirrors the increase in the School Graduate Studies tuition rate. Any program exemptions from this model must be approved through a formal process administered by the Provost’s office.

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 and Undergraduate Tuition Contingency, is distributed among the schools as follows: 85% is assigned based upon the proportion of undergraduate student credit hours taught by each school in 2024 and 2025; the remaining 15% is assigned based upon the proportion of baccalaureate majors of the graduating students in 2024 and 2025.

Undergraduate tuition assignment is based on:
 6,308 students for the academic year
 30.7 credit hours/student
 1,550 first-year students

Undergraduate Tuition Revenue	\$416,695
Less: Strategic Reserve	(3,828)*
Less: Unfunded Student Aid	(222,240)*
UG Tuition Distributed to Schools	\$190,627
Regular Credit Hour Distribution	\$157,775
SAGES Credit Hour Distribution	4,258
Majors Granted Distribution	28,594
Total UG Tuition Distribution	\$190,627

**100% assigned to UGEN*

Undergraduate tuition revenue is distributed using the average credit hours taught by the management center in 2024 and 2025 to calculate the percentage distribution. The majors of the graduating students is an average of 2024 and 2025.

Undergraduate Tuition Distribution and Total Revenue:

In thousands of dollars

	Regular Credit Hour Distribution	SAGES Credit Hour Distribution	Majors Granted Distribution	Total Tuition Distribution
CAS	\$ 85,963	\$ 1,535	\$ 11,355	\$ 98,853
CSE	36,818	108	9,997	46,923
WSOM	17,212	199	3,332	20,743
MSASS	217	-	-	217
LAW	58	69	-	127
DENT	-	-	-	-
NURS	7,864	195	1,783	9,842
CSOM	9,643	186	2,127	11,956
UGEN	-	1,966	-	1,966
TOTAL	\$ 157,775	\$ 4,258	\$ 28,594	\$ 190,627
Unfunded Aid				222,240
Strategic Reserve				3,828
TOTAL UNDERGRADUATE TUITION REVENUE				\$ 416,695

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 2027, the payout rate for the current year spending pool allocation is 4.6%. In addition, the Trustees approved a distribution of 0.8% (\$14.1 million) for administrative expense to administer the endowment. Endowment revenue is allocated based on the twenty quarter average market value of funds as of June 30, 2025. 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).

In thousands of dollars

	Estimated				Estimated			
	Unused Income	Current Year			Total	2027	Unused Income	
	Beginning of Year	Allocation	FHBO	Un-pooled	Available	Budget*	End of Year	
CAS	\$ 8,880	\$ 14,992	\$ 2,475	\$ -	\$ 26,347	\$ 18,316	\$ 8,031	
CSE	8,636	11,364	422	-	20,422	11,003	9,419	
WSOM	2,596	4,282	-	-	6,878	7,629	(751)	
MSASS	476	2,628	-	-	3,104	2,701	403	
LAW	26	5,309	662	252	6,249	6,202	47	
DENT	1,342	1,003	680	-	3,025	1,879	1,146	
NURS	1,623	4,842	-	-	6,465	4,823	1,642	
CSOM	30,980	22,565	8,400	-	61,945	43,243	18,702	
UGEN	20,562	16,824	-	-	37,386	21,702	15,684	
TOTAL	\$ 75,121	\$ 83,809	\$ 12,639	\$ 252	\$ 171,821	\$117,498	\$ 54,323	
Supplemental Distribution - Administrative support						14,052		
TOTAL ENDOWMENT REVENUE						\$ 131,550		

* 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

In thousands of dollars

Indirect Expense Allocation									
	Under-graduate	Student	Faculty/Staff	Square	Direct Expense	Utilities	Library	HEC	Total
	FTE	Headcount	Count	Footage	Percentage	Non-salary	Allocation	Expense	Allocation
CAS	\$ 10,694	\$ 10,189	\$ 1,022	\$ 8,019	\$ 8,326	\$ 2,686	\$ 4,584	\$ -	\$ 45,520
CSE	5,079	5,922	647	8,213	8,680	3,229	2,693	-	34,463
WSOM	2,245	3,135	312	2,084	4,008	638	1,409	-	13,831
MSASS	22	825	322	892	3,247	224	661	-	6,193
LAW	10	1,649	224	1,572	3,604	453	2,036	-	9,548
DENT	-	888	283	2,106	2,494	190	513	2,721	9,195
NURS	1,065	1,997	402	1,271	2,670	621	1,019	1,641	10,686
CSOM	1,296	5,935	2,773	16,667	33,330	9,930	3,937	2,883	76,751
UGEN	212	226	-	-	-	-	951	-	1,389
TOTAL	\$ 20,623	\$ 30,766	\$ 5,985	\$ 40,824	\$ 66,359	\$ 17,971	\$ 17,803	\$ 7,245	\$ 207,576
Salary Pool Retained									9,109
Revenue Offsets									69,024
TOTAL INDIRECT EXPENSE ALLOCATION									\$ 285,709

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 academic centers – 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:

In thousands of dollars

	University		Health		MSASS		Law		Total
	Library		Library		Library		Library		Library
									Allocation
CAS	\$	4,021	\$	413	\$	49	\$	-	\$ 4,483
CSE		2,362		243		29		-	2,634
WSOM		1,234		127		15		-	1,376
MSASS		208		46		391		-	645
LAW		173		78		9		1,716	1,976 *
DENT		215		282		5		-	502
NURS		586		399		11		-	996
CSOM		1,638		2,165		41		-	3,844
UGEN		-		-		86		-	86
TOTAL	\$	10,437	\$	3,753	\$	636	\$	1,716	\$ 16,542
Endowment Support									676
Unallocated Library (100% to UGEN)									586
TOTAL LIBRARY	\$	10,437	\$	3,753	\$	636	\$	1,716	\$ 17,804

* 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. The student numbers used in the assignment are an average of the 2024 and 2025 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 2024 and 2025 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 2027 Budget, based on 2024 and 2025 fall semester average enrollment:

	Undergraduate FTE *	Undergraduate Headcount *	Graduate Full-Time	Graduate Part-Time	Professional Full-Time	Professional Part-Time	Total Head Count
CAS	3,335	3,386	455	27	-	-	3,868
CSE	1,584	1,609	599	110	-	-	2,318
WSOM	700	711	34	3	308	135	1,191
MSASS	7	7	30	5	239	32	313
LAW	4	4	-	-	564	78	646
DENT	-	-	-	-	337	-	337
NURS	332	337	34	2	235	151	759
CSOM	404	410	746	175	924	-	2,255
UGEN	66	67	-	-	-	-	67
TOTAL	6,432	6,531	1,898	322	2,607	396	11,754

*Percentage distribution for undergraduate full-time equivalency (FTE) and headcount uses two years' of credit hour data and is equal to the 2027 percentage distribution for net undergraduate tuition in schools.

Graduate and Professional numbers are based on the Fall Semester enrollment statistics.

2027 Student Services Expense Assigned, by Allocation Methodology:

In thousands of dollars

	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	\$ 10,038	\$ 1,233	\$ 320	\$ 85	\$ 49	\$ -	\$ 104	\$ 718	\$ 12,547
CSE	4,719	717	471	113	51	-	66	395	6,532
WSOM	2,093	379	24	85	23	-	32	200	2,836
MSASS	23	87	23	54	20	-	33	41	281
LAW	11	188	-	113	21	-	23	85	441
DENT	-	97	-	59	15	-	29	44	244
NURS	990	242	23	74	16	-	41	120	1,506
CSOM	1,120	718	612	326	195	-	281	260	3,512
UGEN	211	21	-	-	-	-	-	13	245
TOTAL	\$ 19,205	\$ 3,682	\$ 1,473	\$ 909	\$ 390	\$ -	\$ 609	\$ 1,876	\$ 28,144
Unallocated Student Services (100% to UGEN)									8,482
TOTAL STUDENT SERVICES									\$ 36,626

Note: 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 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 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:

In thousands of dollars

	Square	% of	Total		Administrative	University	Health
	Footage	Total	Direct	Plant	Space	Library	Science
							Library
CAS	386,018	19.6%	\$ 7,711	\$	1,081	\$ 732	\$ 189
CSE	395,359	20.1%	8,415		1,351	398	103
WSOM	100,339	5.1%	1,939		606	294	76
MSASS	42,942	2.2%	784		587	48	27
LAW	75,688	3.9%	1,452		595	29	16
DENT	101,382	5.2%	2,878		417	52	159
NURS	61,188	3.1%	2,191		396	107	184
CSOM	802,319	40.8%	22,238		5,880	308	942
UGEN	-	0.0%	-		2,474	-	-
TOTAL	1,965,235	100.0%	\$ 47,608	\$	13,387	\$ 1,968	\$ 1,696

In thousands of dollars

		Student		Athletic		Shared		SAGES		Waste		Total Plant
		Services		Space		Classroom		Allocation		Removal		Allocation
										(Fixed)		
CAS	\$	3,747	\$	1,018	\$	380	\$	-	\$	46	\$	14,904
CSE		1,969		519		181		-		46		12,982
WSOM		836		244		80		-		-		4,075
MSASS		72		37		1		-		-		1,556
LAW		114		55		-		-		-		2,261
DENT		59		35		-		-		-		3,600
NURS		434		140		38		-		-		3,490
CSOM		988		357		46		-		373		31,132
UGEN		70		19		8		-		(465)		2,106
TOTAL	\$	8,289	\$	2,424	\$	734	\$	-	\$	-	\$	76,106
Unallocated Plant (100% to UGEN)*												12,984
TOTAL PLANT										\$	89,090	

* Includes 100% of the UGEN Strategic Savings Plan.

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 \$13.738 per squarefoot. 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 University Technology (Utech) 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 the learning management system and courseware lecture capture, the Student Information System, instructional design and other curriculum support. This component also includes the design, upgrade and operation of Technology Enhanced Classrooms, 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, 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:

In thousands of dollars

		Core		Instructional		Administrative		Infrastructure		Information
		Technology								Services
CAS	\$	574	\$	1,855	\$	721	\$	5,145	\$	8,295
CSE		501		1,101		752		3,110		5,464
WSOM		161		529		347		1,490		2,527
MSASS		70		142		294		575		1,081
LAW		102		288		312		864		1,566
DENT		116		164		216		1,406		1,902
NURS		103		317		231		1,496		2,147
CSOM		1,046		1,092		2,885		5,162		10,185
UGEN		3		32		-		81		116
TOTAL	\$	2,676	\$	5,520	\$	5,758	\$	19,329	\$	33,283
Unallocated Information Services (100% to UGEN)										1,761
TOTAL INFORMATION TECHNOLOGY SERVICES									\$	35,044

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 for Campus Enrichment and Engagement. 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 2027, the average direct expense for 2024 and 2025. 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)

In thousands of dollars

		2024		2025		Average 2024-2025	% of Total		University Services
CAS	\$	93,595	\$	99,076	\$	96,336	12.5%	\$	5,291
CSE		95,634		105,227		100,431	13.1%		6,851
WSOM		47,004		45,734		46,369	6.0%		3,017
MSASS		32,405		46,123		39,264	5.1%		2,630
LAW		40,839		42,562		41,701	5.4%		3,304
DENT		27,052		30,641		28,847	3.7%		2,947
NURS		30,323		31,471		30,897	4.0%		2,547
CSOM		379,999		391,219		385,609	50.1%		28,078
UGEN		-		-		-	0.0%		-
TOTAL	\$	746,851	\$	792,053	\$	769,452	100.0%	\$	54,665
Unallocated University Services (100% to UGEN)									52,480
TOTAL UNIVERSITY SERVICES								\$	107,145

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 2027. HEC operating costs included in the overall total for Indirect Expense are budgeted to be \$10.1 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