Estimated Project Balance

The Estimated Project Balance provides an approximation of the expected final financial bottom line for a project, and includes all transactions expected to post to the ledger for the project.

About the Estimated Project Balance

- The estimated balance is calculated for the project as a whole as well as for each WBSE
  - For the project as a whole (Parent WBSE + all subcodes), the estimated balance is required in aggregate on the PI attestation.
  - For each WBSE, the estimated balance is required on the associated Closeout Tasklist.
- The estimated balance is based on total project costs, including both direct costs and F&A (indirect costs).
- In order for grant managers of the parent WBSE to develop an accurate estimate for the project as a whole, grant managers of cross-departmental subcodes must provide timely balance estimates for each WBSE that they manage to the parent WBSE grant manager.

<table>
<thead>
<tr>
<th>Balance Type</th>
<th>Applies To</th>
<th>Results in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Overrun</td>
<td>All projects with overspent funds</td>
<td>Duke being required to absorb costs beyond budget</td>
</tr>
<tr>
<td>Unobligated Balance</td>
<td>Cost reimbursable projects with remaining budget</td>
<td>Unspent funds being relinquished to sponsor</td>
</tr>
<tr>
<td>Residual Balance</td>
<td>Fixed price projects with remaining budget/revenue</td>
<td>Duke retaining unspent funds</td>
</tr>
</tbody>
</table>

Estimated Balance Calculator

- The ’Estimated Balance Calculator’ is a tool that can be utilized to assist with the consistent calculation and management of estimated project balances (based on total costs, including both direct costs and F&A) at both the individual WBSE and overall project-level.

Launching the Calculator

Enter any WBSE from the project for which you would like to calculate an estimated balance and select the “Launch Calculator” button. All related (parent/subcode) WBSE will display on the resulting sheet.

Anatomy of the Calculator

A new sheet displays, providing selected master data for each WBSE on the project, along with space to enter the financial information required for calculating the estimated balance.

- The column filters may be used to sort and filter WBSE as needed. Any filtered-out WBSE which has values entered in the table will be excluded from calculations.
- In the table, the white background indicates areas where values should be entered. The gray background indicates areas that should not be edited currently.

A. WBSE Master Data: Displays the WBSE, Project Description, Grant Manager, PI, Allowable F&A rate, the Cost Element Group used to assess F&A costs for each WBSE, and the Rebudget Class.
B. Closed Period Balance: Balance information for the most recently closed Fiscal Period entered manually by user.
C. Direct Costs and Associated F&A for the Current Period: Direct costs that have already been posted to the ledger and any associated F&A (estimated) for the current fiscal period entered manually by user.
D. Anticipated Expenses and Associated F&A: The net total of all remaining expenses expected to post to the WBSE which have not yet posted, including associated F&A (estimated).
E. Estimated Balance: The calculated estimated balance for each WBSE. For any WBSE managed outside the business unit, the estimated balance can be manually entered by toggling the Auto Calculate Estimated Balance to “Off.”
F. TOTAL: The calculated totals for each column of data across the entire project.
Estimated Project Balance

Executing the Balance Calculations

The sheet is configured to calculate the estimated balance (based on total costs, including direct costs & F&A) for each WBSE based on the information entered in Steps 1 to 3. The steps provide a sequential process for gathering the information required to calculate the estimated balance.

1. **Start with closed period balance**
   - **A. Closed Period:** Enter the most recently closed period. If you are unsure of which period to enter, consult the fiscal calendar.
   - **B. Balance from closed period:** Enter the WBSE balance from the most recently closed period. (Tip: use SAP transaction ZFR1E, making sure to enter the closed period rather than the current period at the prompt) For most awards with plan, award vs. expense balance should be used. For awards without plan, revenue vs. expense balance should be used.

2. **Enter direct costs already posted this period and associated F&A**
   - **C. Direct costs already posted this period:** Enter the total direct costs posted to date for the current, open fiscal period. (Tip: use SAP transaction ZFR1E for the current open period)
   - **D. Estimated F&A for direct costs already posted this period:** Calculate and enter the estimated F&A for the direct costs entered in ‘Direct costs already posted this period (C). The actual F&A rate and the cost element group that are subject to F&A for the WBSE are listed in the master data section of the calculator. (See the F&A Calculation section of this guide for more details)

3. **Enter anticipated expenses and associated F&A**
   - **E. All subrecipient invoices not yet posted:** If the WBSE is an external subrecipient, enter the total dollar amount of all expected subrecipient invoices that have not yet posted.
   - **F. Estimated F&A for subrecipient invoices not yet posted:** Calculate and enter the estimated F&A for the subrecipient invoices not yet posted. When calculating, note that subrecipients are often subject to additional F&A restrictions (i.e. F&A only charged to first $25,000 of subrecipient charges).
   - **G. Other anticipated expenses (included on ZF114):** Enter the total of all remaining expenses expected to post to the WBSE, that have not yet posted. When calculating, ensure that any planned/in-process adjustments (i.e. removal of payroll charged to project after end date) are included. These expenses should appear on the ZF114.
   - **H. Estimated F&A for anticipated expenses:** Calculate and enter the estimated F&A for the anticipated expenses not yet posted.

4. **Optional**
   - **I. Estimated Balance:** The sheet is configured to calculate the estimated balance for each WBSE based on the information entered in Steps 1 to 3.

- For any WBSE where the information for Steps 1 to 3 is not available (i.e. cross-departmental subcode), the estimated balance can be entered directly by first selecting the corresponding ‘On’ button in the ‘Auto-Calculate Estimated Balance’ column. The corresponding box in the ‘Estimated Balance’ column will transition from gray to white, indicating that a value can now be entered.
- Any values in Steps 1 to 3 for the WBSE will be cleared and the boxes will appear gray, indicating that values should not be entered into Steps 1 to 3 for this WBSE while auto-calculation is turned off.
- Select the ‘Off’ button for a WBSE to restore automatic calculation of the estimated balance based on values entered in Steps 1 to 3.
Estimated Project Balance

Recording the Balance on the Tasklist

The estimated balance (based on total costs, including both direct costs and F&A) for each WBSE must be calculated and provided on the closeout tasklist. If the WBSE is an internal subcode to a Parent in a different business unit, it is necessary to provide the balance to the business unit that owns the parent, so it can be included in the estimated project balance calculation for the project in aggregate.

<table>
<thead>
<tr>
<th>Cost Overrun and Residual/Unobligated Balances (Include F&amp;A in balances)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Total Cost Overrun (Ensure Backstop is current in SAP Master Data)</td>
</tr>
<tr>
<td>Estimated Residual Balance (Fixed Price Agreements)</td>
</tr>
<tr>
<td>Estimated Unobligated Balance</td>
</tr>
</tbody>
</table>

**TIP:** Use transaction code CJ03 to verify the funding basis (i.e. cost reimbursable, fixed price) for the WBSE.

A. **Estimated Total Cost Over Run:** A negative balance on either a cost reimbursable or fixed price agreement.

B. **Estimated Residual Balance:** A positive remaining balance on a fixed price agreement that will be retained by institution.

C. **Estimated Unobligated Balance:** A positive remaining balance on a cost reimbursable project, that is relinquished back to the sponsor.

D. **Funding Source For Overrun:** WBSE or Cost Center that will bear the expense of the actual overrun for the project. Verify the backstop WBSE and if incorrect, update in master data. *TIP: use transaction code CJ03 to verify the backstop code*

E. **Cost Object for Residual Balance Transfer:** WBSE or Cost Center that the remaining balance will be transferred to (for fixed price agreements only).

Recording the Balance on the PI Attestation

In order to confirm the PI’s understanding of estimated project balance at the time of closeout, the PI attestation (for a Parent code only) includes a section for recording the estimated total project balance. The balance can be found on the total line of the Estimated Project Balance Calculator.

The PI Attestation will have specific language depending on whether the project is 1. Cost Reimbursement or 2. Fixed Price Agreement, due to the differences in how positive balances are managed for each. Record the balance from the calculator and note any special considerations in the comments section below (i.e. exclusion due to rebud class or departmental policy).

**For Cost Reimbursement Agreements**

- The final project balance is estimated below. Actual unobligated balance (positive) will be relinquished to the sponsor and overdraft (negative) will be written off to the designated backstop code by WBSE.

**Comment Box for Departmental Specific Verbiage**

**For Fixed Price Agreements**

- The final project balance is estimated below. Actual residual balance (positive) is retained by the University and distributed based on departmental policy. An overdraft (negative) will be written off to the designated backstop code by WBSE.

**Comment Box for Departmental Specific Verbiage**

- For multi WBSE projects, the amount will be the net balance of the parent WBSE and its child WBSEs, regardless of the Org Unit or PI associated with each code. The amount will only be recorded on the PI attestation containing the parent code
- An overrun should be entered as a negative number, while a residual (fixed price) or unobligated balance (cost reimbursement) should be recorded as positive number.
- It is important to note in the conversation with the PI that an unobligated balance will represent the estimated unspent portion of the awarded amount relinquished to the sponsor.

The projected balance for the project should be a part of ongoing communication with the PI, particularly as the project approaches its end date. The balance on the Attestation should only serve as final confirmation.
Estimated Project Balance

Calculating the Estimated F&A

F&A expense represents the portion of overhead costs the sponsor will bear. The allowable F&A rate determines the percentage of applicable costs used to assess F&A expense. Applicable costs are identified as part of the award agreement and are defined in SAP by the cost element group. The F&A rate and cost element group for a WBSE are provided in the master data section of the calculator. These items are required to calculate the Estimated Project Balance.

F&A Costs = Modified Total Direct Costs x F&A Rate

F&A is calculated by taking all applicable costs, most commonly modified total direct costs (MTDC), and multiplying them by the allowable F&A rate (see Anatomy of the Calculator section “A” on page 1). The Modified Total Direct Costs are generally all costs minus the following standard exclusions (exclusions may vary; refer to the cost element group for the WBSE to confirm costs that do not contribute to the F&A calculation. See Option below for detailed instructions):

- equipment
- capital expenditures,
- charges for patient costs
- rental costs
- tuition remission
- scholarship and fellowship
- participant support costs
- sub award costs in excess of $25,000

Sample Calculation

Project expenses (posted or anticipated) are reviewed to identify charges that should be excluded from MTDC for the F&A calculation. In the example below, subcontract and equipment expenses are subtracted from the total of all expenses, leaving $31,618 as the Modified Total Direct Costs. The MTDC is then multiplied by the F&A rate to determine the F&A expense.

<table>
<thead>
<tr>
<th>Include in F&amp;A Calculation</th>
<th>GL - Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y</td>
<td>645000 - Lab Supplies</td>
<td>$250.00</td>
</tr>
<tr>
<td>Y</td>
<td>603600 - Faculty Research Salary</td>
<td>$1,300</td>
</tr>
<tr>
<td>Y</td>
<td>600100 - Fringe Benefits</td>
<td>$3,068</td>
</tr>
<tr>
<td>N</td>
<td>697100 – Subcontracts(in excess of $25,000)</td>
<td>$10,000</td>
</tr>
<tr>
<td>Y</td>
<td>68600 – Domestic Travel</td>
<td>$2,000</td>
</tr>
<tr>
<td>Y</td>
<td>691600 – Subcontracts (&lt; $25,000)</td>
<td>$25,000</td>
</tr>
<tr>
<td>N</td>
<td>694600 – Out-Patient Care</td>
<td>$875</td>
</tr>
</tbody>
</table>

The total of all direct costs for the analyzed period is $42,493. Subtracting the $10,000 and $875 charges that should be excluded results in an MTDC of $31,618. This is the amount that will be used for the rest of the calculation.

$31,618

The remainder of the direct costs after excluded costs are subtracted

$31,618

$18,654

The allowable F&A rate for this project as per the award agreement

.59

The F&A charged to the project.

Rev. 1/14/2016