Allocated Expenses.

Certain costs can be shared across multiple departments, products, business units, etc. For the BEMT, Allocated Expenses refers to certain fixed costs (specifically labor and equipment) that are allocated for each individual unit of a product or service. For example:

- Suppose you have an employee that costs your biobank $30,000 per year (salary plus fringe benefits).
- Assume that employee works 2000 hours per year. That means they cost $15/hour or $.25 per minute.
- Suppose that person spends 20 minutes each time your biobank produces a paraffin sample.
- For the purposes of the BEMT, the Allocated Expense for that employee is $5.00 for each paraffin sample (20 minutes * $.25 per minute).

The same type of allocation can be done in the BEMT for equipment. See Annual Billable Hours.

Annualized salary ($).

An annual salary for a labor category assuming the employee worked full time. For example, if you have a part-time employee that works 50% of the year and earns $20,000, the annualized salary would be $40,000.

Annual billable hours.

Total number of hours a piece of equipment may be operational and for which time can be billed for its use. A percent of the annual billable hours is factored into the cost of providing a specimen, product and/or service, which uses the type of equipment – part of Allocated Expenses. For example:

- Suppose you have a piece of equipment that costs $10,000 per year.
- Suppose that equipment is used only during business hours of 9am-5pm, 5 days a week, 52 weeks per year (40 hours per week).
- The annual billable hours would be 2080 (52 weeks * 40 hours per week)
- This number is important when calculating the allocated expense for this piece of equipment – it means that each hour that this equipment is used, will cost $4.80 ($10,000 divided by 2080 hours).

Annual service contract.

An annual agreement that addresses terms and conditions for maintenance, repair and sometimes replacement of laboratory equipment, typically procured for capital equipment purchase. In the case of the BEMT, it is necessary to calculate the annual cost of owning the equipment.

Base Price.

In the BEMT, users are asked to set a base price for specimens/products and services. This base price can be determined based on the unit costs calculated for the specimen/product or service, based on market data provided from survey data, based on requirements from a specific customer/project, or just any price the user wants to specify. It is referred to as the "Base Price" because when developing "My Forecast", users are asked to estimate price increases that may occur over time – the next 3 years. The base price is used in the short term for the forecast, but that price may grow over time.

Biobank. (Also referred to as Biorepository)

An organization, place, room, or container (a physical entity) where biospecimens are stored. In the context of the *NCI Best Practices*, only biorepositories containing human specimens intended for research purposes (research biorepositories) are addressed. The physical structure, policies, biospecimens, and data contained within it are defined collectively as a biospecimen resource, defined below (*US NIH/NCI BBRB 2011 Best Practices working definition*).

Capital equipment.

Equipment with an acquisition cost of $5,000 or more, including but not limited to tax, freight, and installation cost; are not disposable or consumable; has a useful life of one year or more.

Cost of goods sold (COGS).

The direct costs associated with the production of goods or services. This often includes material used, and direct labor. It does not include fixed costs such as rent, insurance, etc. For the purposes of the BEMT, COGS only includes supplies that are used or consumed in the production of specimen/products or the delivery of services. An example, a cryovial used for a specimen.. The actual costs of that cryovial would be considered a "cost of goods sold." This is useful when calculating the gross margin or gross profit. For example, if the fee for a product is $200 and the cost of goods sold is $170, then the unit profit, or gross margin is $30. If 1000 units are sold, it would yield $30,000 that could help cover the fixed costs of the biobank.

Cost recovery.

The process of bringing in funds to cover upfront costs (funded or otherwise) related to providing a specimen, product and/or service.

Fee.

The price established and disclosed to a biobank end user and/or customer for provision of a specimen, product and/or service.

Fee Schedule.

A document that contains information about specimens, products and/or services that a biobank offers. While format of fee schedules vary and there is no one template, they typically include but may not be limited to the following information: Type specimen/product/service, description, unit price (or Fee), additional fees (e.g. shipping/handling, rush charges, late case, re-stocking), taxes, information on any discounts, financial and use policy, and standard disclaimers.

Financial forecast (a.k.a My Forecast).

A forward looking estimate of future financial outcomes. The BEMT's My Forecast allows the user to add projects, estimate volumes of specimens/products and services delivered for each project, set and adjust fees for specimens/products and services, and add expenses such as labor, equipment, facilities, etc. The goal is to get a picture of future capital requirements (or surplus) and adjust/plan accordingly. Adjustments may include seeking additional capital, increasing fees, reducing excess capacity, etc.

Fringe benefit.

An employment benefit (as a pension or a paid holiday) granted by an employer that has a monetary value but does not affect basic wage rates. (Merriam Webster Dictionary). For example, cost of health benefits, vacation pay, tax contributions, etc. Most institutions have an estimated percentage of salary they apply for fringe benefit costs (fringe benefit rate).

Full time equivalent (FTE).

One FTE is equivalent to one employee working full-time for a period of time. For example, a biobank has three employees and they work 50 hours, 40 hours and 10 hours per week. Assuming a full-time employee works 40 hours per week, your full time equivalent calculation is 100 hours divided by 40 hours or 2.5 FTE.
(Reference: http://businessdictionary.com)

Another example is if you have a part time employee that works 20 hours per week. They would be considered .5 FTE.

Gross profit.

A company's revenue minus its cost of goods sold (COGS).

Indirect rate/cost.

An indirect cost rate is simply a mechanism for determining fairly and conveniently within the boundaries of sound administrative principle, what proportions of Departmental/organization administration costs each programs should bear. An indirect cost rate represents the ratio between the total indirect costs and benefiting direct costs, after excluding and or reclassifying unallowable costs,

and extraordinary or distorting expenditures. (i.e., capital expenditures and major contracts and subgrants). (http://www2.ed.gov/about/offices/list/ocfo/intro.html)

Most organizations that receive grants or government contracts have a calculated indirect rate they use to ensure they are recovering adequate costs for goods and services. In simple terms, it's a percentage increase in your costs to reflect costs you cannot allocate easily to specimens/products and services.

Labor category.

A description of a type of function, skillset, etc. that may be fulfilled by individuals working in your organization. For example, a Repository Manager, an IT analyst, a Pathologist. You may have multiple individuals for each of these labor categories. Some organizations are very summarized with their labor categories (e.g. Manager, Associate, and Analyst). Some organizations are very specific. It should be noted that each labor category has a salary associated with it. So, if you have two Associates that make considerably different salaries, you may have Associate I and Associate II. It is up to you how you define your labor categories. Examples are provided in the BEMT system.

Lab supplies.

Materials (including consumables), and other supplies needed to support lab operations and provision of specimens, products and/or services.

Lease.

An extended agreement typically obtained to keep, use and operate a piece of equipment or facility space. A lease may or may not include terms for maintenance of the equipment and/or space. Leasing often decreases and/or defers the initial upfront capital expense of infrastructure.

Mark-up.

The amount added to a cost to calculate a selling price.

Operating income.

The revenue from running your operation less the total costs of running your operation. If this is negative, its considered an Operating Loss.

Percent cost recovery.

The amount measured by percentage (%) by which a biobank recovers costs. At the specimen/product or service level, it's the Price (of Fee) divided by the Cost. At the organization level (My Forecast), it's the Gross Profit divided by Total Expenses.

Price.

The total amount a biobank charges for a specimen, product and/or service. Also referred to as a Fee.

Product.

A derivative created from a parent specimen. For example, DNA derived from a Tumor Block. DNA is a product.

Project.

For the purposes of the BEMT, projects allow you to organize or "batch" specimen/products and services and associated prices. Suppose, for example, your biobank has a specific project for a pharmaceutical partner to collect a specific amount of specimens, provide additional services, and charge a negotiated fee. You could create this project in the BEMT and add it to your forecast. You can create other projects and add them to your forecast. Each project would have its own fees, volumes, etc.

Revenue.

Monies brought in from provision of biobank specimens, products and/or services.

Service.

An action or solution that is provided to a biobank customer and/or end user. Typically services are provided in exchange for revenue in order to recover the direct and indirect costs of materials, labor and equipment involved in its provision. For example, services may include Pathology Review, DNA extraction, etc.

Specimen. (a.k.a. Biospecimen).

A quantity of tissue, blood, urine, or other human-derived material. A single biopsy may generate several biospecimens, including multiple paraffin blocks or frozen biospecimens. A biospecimen can comprise subcellular structures, cells, tissue (e.g., bone, muscle, connective tissue, and skin) , organs (e.g., liver, bladder, heart, and kidney) , blood, gametes (sperm and ova) , embryos, fetal tissue, and waste (urine, feces, sweat, hair and nail clippings, shed epithelial cells, and placenta) . Portions or aliquots of a biospecimen are referred to as samples (US NIH/NCI BBRB 2011 Best Practices working definition).

Unit cost.

The unit cost is the cost incurred to produce one unit of a particular specimen/product or deliver one unit of a particular service. For the purposes of the BEMT, unit costs include costs of goods sold (supplies), allocated expenses (allocation of equipment costs based on time the equipment was used for the unit, allocation of labor costs based on time spent producing the unit), other allocated costs, plus indirect costs (based on specified indirect rate).

Usable life.

The number of years you plan to keep equipment prior to replacing it. This is useful in calculating Allocated Expenses for Equipment. See Annual Billable Hours for an example of how this is used.