

## Developing Your Cost Model Part I

Nonprofit Association of Oregon

December 14, 2016

Workshop Leader: **Kay Sohl**



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## Who is in our group today?



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## Plan for Parts I & II

- **Part I** - December 14, 2016
  - Basic cost models
  - Best approach for your nonprofit
- **Part II** - January 17, 2017
  - Cost model challenges
  - Cost info for your response to Multnomah County RFPQs

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Why would you want to know ....  
**the Full Cost**  
 of providing **each** of your services?

- Make informed decisions about use of unrestricted resources
- Avoid lose/lose agreements
- Communicate reality
- Survive & thrive

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### Need Full Cost Info to:

- Negotiate funding agreements
- Set prices
- Choose mix of services
- Evaluate future investments

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### Full Cost Calculation

Direct costs  
 + Fair allocation of shared costs  
 + Fair allocation of admin costs  
 =  
**Full Cost**

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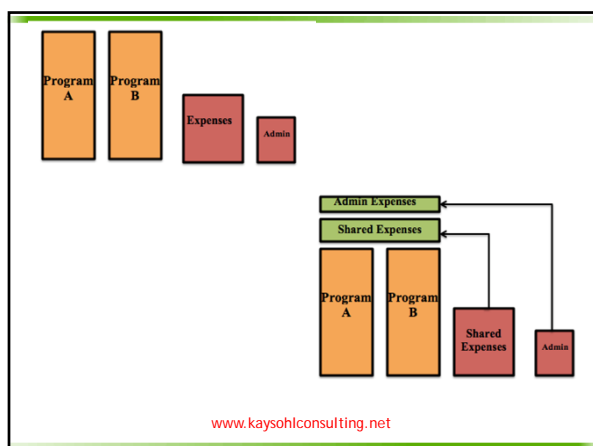
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### Who pays for not knowing Full Cost?

- If what you are **paid** for a service is **less** than actual **cost**, must find **subsidy** to close the gap
- If **no source to close the gap** between cost we are paid and full cost of providing services, **nonprofit dies**

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### Who closes the gap ? (between full costs and price)

- Funders and donors
- Third-party payers
- Clients and communities
- Customers willing to pay more than cost
- **Low wage staff**

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### Nonprofit Costs: A Changing Conversation

- Starvation Cycle
- TED Talks
- Uniform Guidance
- Boards and Donors
- Multnomah County

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### Growing Recognition: Sustainability Matters

- **Cash flow** problems disrupt services
- Lack of **reserves** destroys resiliency
- **Underinvestment** in infrastructure limits effectiveness

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### Barriers to Learning the Full Cost

- Fear of “high overhead”
- Limitations in existing funding agreements
- Fear that no will pay the full cost

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## Overhead Myth

- Overhead rates are a good indicator of whether a nonprofit is effective
- **Lower** overhead = **good** nonprofit
- **Higher** overhead = **bad** nonprofit

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## Expectation Paradox

- Meeting the **highest standards** for management & accountability is essential

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- Spending on **management** is **suspect**

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## Another Paradox

- Support from multiple **individual donors** is **good**

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- Spending on **fund raising** is **suspect**

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## Language Confusion

We (nonprofits, funders, others):

- Call the **same** costs by **different names**
- Call **different** costs by the **same name**
- **Confuse & deceive** ourselves and others

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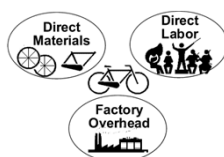
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## Differing Definitions of Overhead Costs

- Agency-wide **administration** or **management**
- Agency-wide **administration plus facilities and other shared costs**
- Any cost that **cannot be directly attributed to delivery** of a specific service



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## Definition Confusion

Which **one** of the following terms would you consider the closest in meaning to “indirect costs”?

	Grantmakers	Nonprofit Organizations
Overhead	58%	37%
Supporting Costs (Contrasted with Program Costs)	21%	25%
Administrative Costs	16%	26%
Joint or Shared Costs	5%	17%

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## Expense Frameworks:

- **Form 990:** program, management & general, fundraising
- **Direct** costs and **indirect** costs
- Direct program costs, **shared** costs, **admin** costs and **fundraising** costs

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## Form 990 classification of expenses:

- **Program**
- **Management & General (admin)**
- **Fundraising**

Form 990 (2015) Page **10**

**Part IX** Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX ☐

**Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.**

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<b>1</b> Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 . . .				
<b>2</b> Grants and other assistance to domestic individuals. See Part IV, line 22 . . .				
<b>3</b> Grants and other assistance to foreign organizations, foreign governments, and foreign				

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## Direct Costs & Indirect Costs

**Directly**  
associated with  
a function

- Lunches for the senior lunch program
- Tree scientist for tree planting
- program

- **Not** directly associated with a function
- Benefits more than one function
- A fair share needs to be allocated to each function

- Rent
- IT expenses
- Audit costs

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Both **Direct & Indirect Costs** are **legitimate** components of:

- **Management** (admin) functions
- **Fundraising** functions
- **Program** functions

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## Management Functions



- Board support
- Financial management
- HR management
- IT management

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## Management Costs

- Management costs that benefit whole agency function as **indirect costs**
- Management costs that benefit a single cost objective may be treated as **direct costs (program management costs)**



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## Fundraising Functions

- Preparing & making unsolicited requests for contributions
- Soliciting donors, businesses, foundations
- Generally does not include submitting requests to government



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## Full Cost of Fundraising



- **Direct Costs:** cost directly associated with soliciting contributions **plus**
- **Allocated or Indirect Costs:** Fair shares of management & other shared costs

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## Program Functions



Providing services or activities designed to achieve your mission

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### Full Cost of Each Program

- **Direct Cost:** cost directly associated with delivering a specific program **plus**
- **Allocated or Indirect Costs:** Fair shares of management & other shared costs

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### How do **YOU** determine what your services **COST**?

- Direct program costs only?
- What a given funder will pay?
- What others charge for similar service?
- ????

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### Start with Functional Budget

- Distinguish **purpose/function** of all costs as well as line items
- May also include income associated with specific functions

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## Function Cost Center Format

	Total	Management	Fund raising	Senior Services	Homeless Services	Energy Assistance
Personnel						
Prof. Services						
Occupancy						
XXXXX						
Total						
Expenses						

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## Funding Agreement Cost Center Format

	Total	Management	Fund raising	Award 1	Award 2	Contract 3
Personnel						
Prof. Services						
Occupancy						
XXXXX						
Total						
Expenses						

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## Functions & Funding Agreements

- Function = **purpose**
- Funding Agreement = **source** that will pay for costs associated with a function
- Budget **structure** – functional vs funding source
- **Functional** structure facilitates determining service costs

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**Exhibit 11**

Organization A - Program A by funding source with multiple caps and limitations

	PROGRAM A			
	Gov't grant	Private grant	General ops.	Total
Expenses:				
Salaries & wages	\$ 5,000	0	13,613	18,613
Employee benefits	0	0	2,792	2,792
Materials & supplies	2,600	0	2,600	5,200
Postage & shipping	0	605	0	605
Printing & publications	0	1,000	0	1,000
Telephone	115	0	641	756
Occupancy	400	0	1,819	2,219
Depreciation	0	0	684	684
Total direct expenses	8,115	1,605	22,149	31,869
Allocation of shared costs	243	106	1,763	2,112
	\$ 8,358	1,711	23,912	33,981

1. Government grant caps salaries at \$5,000, benefits and depreciation at 0, and shared costs at 2%.

2. Private grants pays only postage and shipping, and printing and publications, but accepts the 6.6% shared cost rate.

**Award Worksheet**

Line item	Total Award/Contract	Prior FY portion	Current FY portion	Next FY portion
Personnel				
Fringe Benefits				
Travel				
Equipment				
Supplies				
Contractual				
Other				

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**Methods to Determine Full Cost**

- **Cost allocation plan**
  - Item by item
  - Shared cost centers
- **Use of an Indirect Cost rate**
  - 10% de minimis
  - NICR
  - Other

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## Functional Budget

Organization A

	TOTAL EXPENSES				
	Programs			Admin	Shared
	A	B	C		
Expenses:					
Salaries & wages	\$ 18,613	19,500	23,347	18,557	5,150
Employee benefits	2,792	2,925	3,502	2,784	772
Materials & supplies	5,200	8,900	3,581	1,124	0
Postage & shipping	605	987	4,251	895	2,088
Printing & publications	1,000	1,355	756	201	50
Telephone	756	1,222	1,336	2,285	2,263
Occupancy	2,219	4,590	9,675	11,116	0
Depreciation	684	758	95	151	0
Total direct expenses	31,869	40,237	46,543	37,113	10,323
Allocation of shared costs	2,112	2,667	3,084	2,460	(10,323)
	\$ 33,981	42,904	49,627	39,573	0

1. The effective shared cost rate = 6.6%  $[(10,323/166,085) \times 100]$   
 2. Shared costs are allocated by applying shared cost rate (6.6%) to each cost center's total direct expenses  
 (e.g., Program A: 6.6% X \$31,869 = \$2,112)

## Shared Costs Allocated Item by Item

Organization C - Shared cost rate of 0%

	TOTAL EXPENSES				
	Programs			Admin	Shared
	A	B	C		
Expenses:					
Salaries & wages	\$ 19,255	21,621	25,388	18,903	--
Employee benefits	2,881	3,050	3,727	3,117	--
Materials & supplies	5,200	8,900	3,581	1,124	--
Postage & shipping	923	1,612	4,541	1,750	--
Printing & publications	1,025	1,380	800	157	--
Telephone	1,290	1,417	2,244	2,911	--
Occupancy	3,219	4,590	8,675	11,116	--
Depreciation	188	334	671	495	--
Total direct expenses	33,981	42,904	49,627	39,573	--
Allocation of shared costs	--	--	--	--	--
	\$ 33,981	42,904	49,627	39,573	--

1. The shared cost rate = 0%. No shared cost allocation mechanism is used; all expenses are charged directly.  
 2. The administrative rate = 23.8%  $[(39,573/166,085) \times 100]$

## Item-by-Item Allocation of Shared & Admin Costs

	Prog 3	Prog 2	Prog 1	Shared	Total
Total Direct Costs	2 Million	1 Million	100,000		3.1 Million
Rent				60,000	60,000
Audit				20,000	20,000
Accounting Staff				60,000	60,000
Utilities				10,000	10,000
TOTAL	2 Million	1 Million	500,000	150,000	3,250,000

	Prog 3	Prog 2	Prog 1	Shared	Total
Total Direct Costs	2 Million	1 Million	100,000		3.1 Million
Rent	39,000	19,200	1,800	0	60,000
Audit	13,000	6,400	600	0	20,000
Accounting Staff	39,000	19,200	1,800	0	60,000
Utilities	6,500	3,200	300	0	10,000
TOTAL	2,097,500	1,048,000	10,500	0	3,250,000

## Cost Allocation Methods

- % of FTE
- % of personnel costs
- % of total dollars (management)
- % of square feet (facilities)
- % of units of service

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## Indirect Cost Rates

- Multiple methods
- Compute **Indirect Costs** as a % of **Direct Cost Base**
- Apply the **Indirect Cost %** to the Direct Cost Base to **determine amount allocated** to Direct Cost Center

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## Indirect Cost Rate Based on a Fraction

**Numerator** = Indirect Costs

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**Denominator** = Direct Costs

*Must make choices about both*

$$\frac{800,000}{2,200,000} = .36$$

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### Indirect Cost Definition Choices

- **Must include administrative costs** which benefit entire entity
- **May include other common or shared costs** which benefit entire entity:
  - Facilities
  - Telephone/internet
  - Copiers, etc.

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Organization A - "Fully loaded" cost model

	TOTAL EXPENSES					
	Direct Programs			Admin	Shared	Total
	A	B	C			
Expenses:						
Salaries & wages	\$ 18,613	19,500	23,347	18,557	5,150	85,167
Employee benefits	2,792	2,925	3,502	2,784	772	12,775
Materials & supplies	5,200	8,900	3,581	1,124	0	18,805
Postage & shipping	605	987	4,251	895	2,088	8,826
Printing & publications	1,000	1,355	756	201	50	3,362
Telephone	756	1,222	1,336	2,285	2,263	7,862
Occupancy	2,219	4,590	9,675	11,116	0	27,600
Depreciation	684	758	95	151	0	1,688
Total direct expenses	31,869	40,237	46,543	37,113	10,323	166,085
Allocation of shared costs	2,112	2,667	3,084	2,460	(10,323)	0
Total direct & shared costs	33,981	42,904	49,627	39,573	0	166,085
Allocation of admin costs	10,629	13,420	15,524	(39,573)	0	0
	\$ 44,610	56,324	65,151	0	0	166,085

1. The effective shared cost rate = 6.4%  $[(\$10,323)/(\$166,085 - \$10,323)]$   
 2. The administrative rate = 23.8%  $[(\$39,573)/\$166,085]$   
 3. Shared costs are allocated by applying rate (6.4%) to each cost center's total direct expenses  
 [e.g., Program A: 6.4% X \$31,869 = \$2,112]  
 4. Administrative costs are allocated based on pro rata distribution of total direct & shared costs of each program  
 [e.g., Program A:  $\$33,981 \times [\$39,573/(\$166,085 - \$39,573)] = \$10,629$ ]

### Direct Cost Base Options for Indirect Cost Rates

- a) **Total Direct Salaries & Wages**  
(including compensated absences)
- b) **Total Direct Personnel Costs**  
(including employer PR tax & fringe benefits)
- c) **Modified Total Direct Cost: MTDC**

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### Total Direct *Salaries* as Direct Cost Base

TOTAL Expenses	Total Costs	Unallow Indirect Costs	Allowable Indirect Costs	Total Direct Costs	Award 1 Direct	Award 2 Direct	Award 3 Direct	Non-Fed Direct Cost
Salaries Only	2,640,000		440,000	2,200,000	588,000	1,100,000	380,000	132,000
Other Expenses	1,810,000	10,000	360,000	1,440,000	412,000	640,000	320,000	68,000
Total	4,450,000	10,000	800,000	3,640,000	1,000,000	1,740,000	700,000	200,000

Allowable Indirect	800,000
Direct Salaries	2,200,000
Indirect Rate	0.36

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### Total Direct *Personnel* Costs as Direct Cost Base

TOTAL Expenses	Total Costs	Unallow Indirect Costs	Allowable Indirect Costs	Direct Costs	Award 1 Direct	Award 2 Direct	Award 3 Direct	Non-Fed Direct Cost
Salaries & Fringe Benefits	3,600,000		600,000	3,000,000	800,000	1,500,000	520,000	180,000
Other Expenses	850,000	10,000	200,000	640,000	200,000	240,000	180,000	20,000
Total	4,450,000	10,000	800,000	3,640,000	1,000,000	1,740,000	700,000	200,000

Allowable Indirect	800,000
Total Direct Salaries & Fringe Benefits	3,000,000
Indirect Rate	0.27

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### Modified Total Direct Cost Base

TOTAL Expenses	Unallow Indirect Costs	Excluded Direct Costs	Allowable Indirect Costs	MTDC	Award 1 Direct	Award 2 Direct	Award 3 Direct	Non-Fed Direct Costs
4,450,000	10,000	40,000	800,000	3,600,000	1,000,000	1,740,000	660,000	200,000

Allowable Indirect	800,000
MTDC	3,600,000
Indirect Rate	0.22

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**Uniform Guidance permits  
10% MTDC de minimis rate  
not 10% of total costs**

Total Expenses	Unallowable Indirect Costs	Excluded Direct Costs	Allowable Indirect Costs (10% of MTDC)	MTDC	Prog 1 Direct	Prog 2 Direct	Prog 3 Direct	Non-Federal Direct Costs
4,450,000	10,000	40,000	400,000	4 Million	1 Million	2.1 Million	700,000	200,000

Allowable Indirect	400,000
MTDC	4,000,000
Indirect Rate	0.10

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**MTDC Direct Cost Base excludes:**

- Equipment & capital expenditures
- Rental costs
- Participant support costs
- Charges for patient care
- Tuition remission
- Portion of each sub-award in excess of **\$25,000**
- Other costs that would distort distribution of indirect costs

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**Applying an Indirect Cost Rate**

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### Applying MTDC Based Indirect Cost Rate (ICR)

Total Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Prog 1 Direct	Prog 2 Direct	Prog 3 Direct	Non-Federal Direct Cost
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate .10				400,000	100,000	210,000	70,000	20,000
Excluded Costs							40,000	
Unallow Indirect								10,000
Total Costs					1,100,000	2,310,000	810,000	230,000

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### Impact of 5% Admin Cost Limitation

TOTAL Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Award 1	Award 2	Award 3	Unrestricted Sources
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate 10%				400,000	100,000	210,000	70,000	20,000
5% Admin Limitation					-50,000			50,000
Excluded Costs							40,000	
Unallow Indirect								10,000
Total Costs					1,050,000	2,310,000	810,000	280,000

### Applying Total Direct Salaries Based ICR

	Total	Unallow Indirect	Allowable Indirect	Total Direct Costs	Award 1	Award 2	Award 3	Non-Fed
Salaries Only			440,000	2,200,000	588,000	1,100,000	380,000	132,000
Other Allowable Indirect Costs			360,000					
Indirect Rate 36%			(800,000)	800,000	213,500	400,000	139,000	47,500
Allowable direct +indirect		10,000		1,440,000	412,000	640,000	320,000	68,000
Unallow Indirect Alloc		(10,000)		10,000				10,000
Total Costs		0	0	4,450,000	1,213,500	2,140,000	839,000	257,500

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**Applying  
Total *Direct Personnel Costs* based ICR**

	Unallow Indirect	Allowable Indirect	Total Direct Costs	Award 1	Award 2	Award 3	Non-Fed
Total Direct Salaries		600,000	3,000,000	800,000	1,500,000	520,000	180,000
Other Allowable Indirect Cost		200,000					
Indirect Rate 27%		(800,000)	800,000	213,333	400,000	138,667	48,000
Allowable direct + indirect	10,000		640,000	200,000	240,000	180,000	20,000
Unallow Indirect Alloc	(10,000)		10,000				10,000
Total Costs	0	0	4,450,000	1,213,333	2,140,000	838,667	258,000

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**Applying  
MTDC Based  
Indirect Cost Rate (ICR)**

Total Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Prog 1 Direct	Prog 2 Direct	Prog 3 Direct	Non-Federal Direct Cost
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate .10				400,000	100,000	210,000	70,000	20,000
Excluded Costs							40,000	
Unallow Indirect								10,000
Total Costs					1,100,000	2,310,000	810,000	230,000

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**Impact of 5% Admin Cost Limitation**

TOTAL Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Award 1	Award 2	Award 3	Unrestricted Sources
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate 10%				400,000	100,000	210,000	70,000	20,000
5% Admin Limitation					-50,000			50,000
Excluded Costs							40,000	
Unallow Indirect								10,000
Total Costs					1,050,000	2,310,000	810,000	280,000

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### Next Steps

- Commit to knowing full cost of each service
- Identify program functions
- Identify management & shared costs
- Select allocation methods
- Determine full costs

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### ??? For January 17<sup>th</sup> Workshop

- Defining cost centers
- Dealing with Admin Cost Caps
- Sub-contracts & sub-recipient agreements
- Match requirements
- Choosing the most useful cost model

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# Function Cost Center Format

	Total	Management	Fund raising	Senior Services	Homeless Services	Energy Assistance
Personnel						
Prof. Services						
Occupancy						
XXXXX						
Total Expenses						

# Funding Agreement

## Cost Center Format

	Total	Management	Fund raising	Award 1	Award 2	Contract 3
Personnel						
Prof. Services						
Occupancy						
XXXXX						
Total Expenses						

## Exhibit 11

### Organization A - Program A by funding source with multiple caps and limitations

	PROGRAM A			
	Gov't grant	Private grant	General ops.	Total
Expenses:				
Salaries & wages	\$ 5,000	0	13,613	18,613
Employee benefits	0	0	2,792	2,792
Materials & supplies	2,600	0	2,600	5,200
Postage & shipping	0	605	0	605
Printing & publications	0	1,000	0	1,000
Telephone	115	0	641	756
Occupancy	400	0	1,819	2,219
Depreciation	0	0	684	684
Total direct expenses	8,115	1,605	22,149	31,869
Allocation of shared costs	243	106	1,763	2,112
	\$ 8,358	1,711	23,912	33,981

1. Government grant caps salaries at \$5,000, benefits and depreciation at 0, and shared costs at 3%
2. Private grants pays only postage and shipping, and printing and publications, but accepts the 6.6% shared cost rate

# Functional Budget

## Organization A

TOTAL EXPENSES						
	Programs					
	A	B	C	Admin	Shared	Total
Expenses:						
Salaries & wages	\$ 18,613	19,500	23,347	18,557	5,150	85,167
Employee benefits	2,792	2,925	3,502	2,784	772	12,775
Materials & supplies	5,200	8,900	3,581	1,124	0	18,805
Postage & shipping	605	987	4,251	895	2,088	8,826
Printing & publications	1,000	1,355	756	201	50	3,362
Telephone	756	1,222	1,336	2,285	2,263	7,862
Occupancy	2,219	4,590	9,675	11,116	0	27,600
Depreciation	684	758	95	151	0	1,688
Total direct expenses	31,869	40,237	46,543	37,113	10,323	166,085
Allocation of shared costs	2,112	2,667	3,084	2,460	(10,323)	0
	\$ 33,981	42,904	49,627	39,573	0	166,085

1. The effective shared cost rate = 6.6% [ $\$10,323/(\$166,085 - \$10,323)$ ]

2. Shared costs are allocated by applying shared cost rate (6.6%) to each cost center's total direct expenses  
[e.g., Program A:  $6.6\% \times \$31,869 = \$2,112$ ]



# Shared Costs Allocated Item by Item

Organization C - Shared cost rate of 0%

	TOTAL EXPENSES				
	Programs			Admin	Shared
	A	B	C		
Expenses:					
Salaries & wages	\$ 19,255	21,621	25,388	18,903	--
Employee benefits	2,881	3,050	3,727	3,117	--
Materials & supplies	5,200	8,900	3,581	1,124	--
Postage & shipping	923	1,612	4,541	1,750	--
Printing & publications	1,025	1,380	800	157	--
Telephone	1,290	1,417	2,244	2,911	--
Occupancy	3,219	4,590	8,675	11,116	--
Depreciation	188	334	671	495	--
Total direct expenses	33,981	42,904	49,627	39,573	--
					166,085
Allocation of shared costs	--	--	--	--	--
	\$ 33,981	42,904	49,627	39,573	--
					166,085

1. The shared cost rate = 0%. No shared cost allocation mechanism is used; all expenses are charged directly
2. The administrative rate = 23.8% [\$39,573/\$166,085]

## Item-by-Item Allocation of Shared & Admin Costs



	Prog 3	Prog 2	Prog 1	Shared	Total
Total Direct Costs	2 Million	1 Million	100,000		3.1 Million
Rent				60,000	60,000
Audit				20,000	20,000
Accounting Staff				60,000	60,000
Utilities				10,000	10,000
TOTAL	2 Million	1 Million	500,000	150,000	3,250,000

	Prog 3	Prog 2	Prog 1	Shared	Total
Total Direct Costs	2 Million	1 Million	100,000		3.1 Million
Rent	39,000	19,200	1,800	0	60,000
Audit	13,000	6,400	600	0	20,000
Accounting Staff	39,000	19,200	1,800	0	60,000
Utilities	6,500	3,200	300	0	10,000
TOTAL	2,097,500	1,048,000	10,500	0	3,250,000

## Organization A - "Fully loaded" cost model

TOTAL EXPENSES						
	Direct					Total
	Programs			Admin	Shared	
	A	B	C			
Expenses:						
Salaries & wages	\$	18,613	19,500	23,347	18,557	5,150
Employee benefits		2,792	2,925	3,502	2,784	772
Materials & supplies		5,200	8,900	3,581	1,124	0
Postage & shipping		605	987	4,251	895	2,088
Printing & publications		1,000	1,355	756	201	50
Telephone		756	1,222	1,336	2,285	2,263
Occupancy		2,219	4,590	9,675	11,116	0
Depreciation		684	758	95	151	0
Total direct expenses		31,869	40,237	46,543	37,113	10,323
						166,085
Allocation of shared costs		2,112	2,667	3,084	2,460	(10,323)
						0
Total direct & shared costs		33,981	42,904	49,627	39,573	0
						166,085
Allocation of admin costs		10,629	13,420	15,524	(39,573)	0
						0
	\$	44,610	56,324	65,151	0	0
						166,085

1. The effective shared cost rate = 6.6% [ $\$10,323/(\$166,085 - \$10,323)$ ]
2. The administrative rate = 23.8% [ $\$39,573/\$166,085$ ]
3. Shared costs are allocated by applying rate (6.6%) to each cost center's total direct expenses  
[e.g., Program A:  $6.6\% \times \$31,869 = \$2,112$ ]
4. Administrative costs are allocated based on pro rata distribution of total direct & shared costs of each program  
[e.g., Program A:  $\$33,981 \times (\$39,573/(\$166,085 - \$39,573)) = \$10,629$ ]

# Total Direct Salaries as Direct Cost Base

TOTAL Expenses	Total Costs	Unallow Indirect Costs	Allowable Indirect Costs	Total Direct Costs	Award 1 Direct	Award 2 Direct	Award 3 Direct	Non-Fed Direct Cost
Salaries Only	2,640,000		440,000	2,200,000	588,000	1,100,000	380,000	132,000
Other Expenses	1,810,000	10,000	360,000	1,440,000	412,000	640,000	320,000	68,000
Total	4,450,000	10,000	800,000	3,640,000	1,000,000	1,740,000	700,000	200,000

Allowable Indirect	800,000
Direct Salaries	2,200,000
Indirect Rate	0.36

# Total Direct *Personnel* Costs as Direct Cost Base

TOTAL Expenses	Total Costs	Unallow Indirect Costs	Allowable Indirect Costs	Direct Costs	Award 1 Direct	Award 2 Direct	Award 3 Direct	Non-Fed Direct Cost
Salaries & Fringe Benefits	3,600,000		600,000	3,000,000	800,000	1,500,000	520,000	180,000
Other Expenses	850,000	10,000	200,000	640,000	200,000	240,000	180,000	20,000
Total	4,450,000	10,000	800,000	3,640,000	1,000,000	1,740,000	700,000	200,000

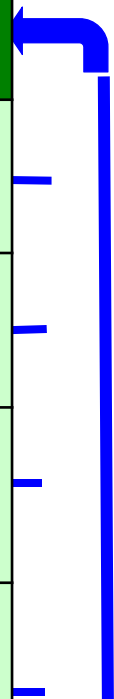
Allowable Indirect	800,000
Total Direct Salaries & Fringe Benefits	3,000,000
Indirect Rate	0.27

# Modified Total Direct Cost Base

<b>TOTAL Expenses</b>	<b>Unallow Indirect Costs</b>	<b>Excluded Direct Costs</b>	<b>Allowable Indirect Costs</b>	<b>MTDC</b>	<b>Award 1 Direct</b>	<b>Award 2 Direct</b>	<b>Award 3 Direct</b>	<b>Non-Fed Direct Costs</b>
4,450,000	10,000	40,000	800,000	3,600,000	1,000,000	1,740,000	660,000	200,000

<b>Allowable Indirect</b>	<b>800,000</b>
<b>MDTC</b>	<b>3,600,000</b>
<b>Indirect Rate</b>	<b>0.22</b>

# Uniform Guidance permits 10% MTDC de minimis rate *not* 10% of total costs



Total Expenses	Unallowable Indirect Costs	Excluded Direct Costs	Allowable Indirect Costs (10% of MTDC)	MTDC	Prog 1 Direct	Prog 2 Direct	Prog 3 Direct	Non-Federal Direct Costs
4,450,000	10,000	40,000	400,000	4 Million	1 Million	2.1 Million	700,000	200,000

Allowable Indirect	400,000
MDTC	4,000,000
Indirect Rate	0.10

# Applying MTDC Based Indirect Cost Rate (ICR)

Total Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Prog 1 Direct	Prog 2 Direct	Prog 3 Direct	Non-Federal Direct Cost
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate .10				400,000	100,000	210,000	70,000	20,000
Excluded Costs							40,000	
Unallow Indirect								10,000
Total Costs					1,100,000	2,310,000	810,000	230,000



# Impact of 5% Admin Cost Limitation

TOTAL Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Award 1	Award 2	Award 3	Unrestricted Sources
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate 10%				400,000	100,000	210,000	70,000	20,000
5% Admin Limitation					-50,000			50,000
Excluded Costs							40,000	
Unallow Indirect								10,000
Total Costs					1,050,000	2,310,000	810,000	280,000

# Applying Total Direct Salaries Based ICR

	Total	Unallow Indirect	Allowable Indirect	Total Direct Costs	Award 1	Award 2	Award 3	Non-Fed
Salaries Only			440,000	2,200,000	588,000	1,100,000	380,000	132,000
Other Allowable Indirect Costs			360,000					
Indirect Rate 36%			(800,000)	800,000	213,500	400,000	139,000	47,500
Allowable direct +indirect		10,000		1,440,000	412,000	640,000	320,000	68,000
Unallow Indirect Alloc		(10,000)		10,000				10,000
Total Costs		0	0	4,450,000	1,213,500	2,140,000	839,000	257,5000

# Applying Total Direct Personnel Costs based ICR

	Unallow Indirect	Allowable Indirect	Total Direct Costs	Award 1	Award 2	Award 3	Non-Fed
Total Direct Salaries		600,000	3,000,000	800,000	1,500,000	520,000	180,000
Other Allowable Indirect Cost		200,000					
Indirect Rate 27%		(800,000)	800,000	213,333	400,000	138,667	48,000
Allowable direct +indirect	10,000		640,000	200,000	240,000	180,000	20,000
Unallow Indirect Alloc	(10,000)		10,000				10,000
Total Costs	0	0	4,450,000	1,213,333	2,140,000	838,667	258,000

# Applying MTDC Based Indirect Cost Rate (ICR)

Total Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Prog 1 Direct	Prog 2 Direct	Prog 3 Direct	Non-Federal Direct Cost
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate .10				400,000	100,000	210,000	70,000	20,000
Excluded Costs							40,000	
Unallow Indirect								10,000
Total Costs					1,100,000	2,310,000	810,000	230,000

# Impact of 5% Admin Cost Limitation

TOTAL Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Award 1	Award 2	Award 3	Unrestricted Sources
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate 10%				400,000	100,000	210,000	70,000	20,000
5% Admin Limitation					-50,000			50,000
Excluded Costs							40,000	
Unallow Indirect								10,000
Total Costs					1,050,000	2,310,000	810,000	280,000