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

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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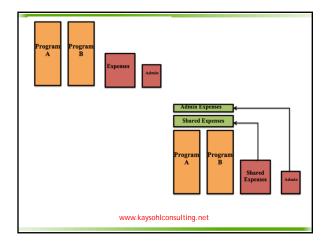
Full Cost Calculation

Direct costs

- + Fair allocation of shared costs
- + Fair allocation of admin costs

=

Full Cost



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

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	
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CHARITY NAVIGATOR	
• lower over ead = god onprofit	
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Expectation Paradox	
Meeting the highest standards for management & accountability is	
essential	
& • Spending on management is	
suspect	
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Another Paradox	-
Support from multiple individual	
donors is good	
& • Spending on fund raising is	
suspect	

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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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%

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**

Section	on 501(c)(3) and 501(c)(4) organizations must come Check if Schedule O contains a response			ns must complete co	eumm (Pg.
	ot include amounts reported on lines 6b, 7b, b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21				
2	Grants and other assistance to domestic individuals. See Part IV, line 22				
3	Grants and other assistance to foreign				

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

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)



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

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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		nding st Ce				
	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

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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Organization A				TOTAL EX	MINSES.		
			Programs	200000000000000000000000000000000000000			
	12	A	В	c	Admin	Shared	Total
Expenses:			1200000000	Lancinototte	0.000	100000000	
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)	
	\$	33,981	42,904	49,627	39,573	0	166,085

Shared Costs Allocated Item by Item Organization C - Shared cost rate of 0% TOTAL EXPENSES TOTAL EXPENSES Expenses: Salaries & wapes \$ 19,255 21,621 25,388 18,903 — 85,167 Employee benefits 2,881 3,056 3,727 3,117 — 12,775 Materials & supplies 5,200 6,900 3,781 1,128 — 16,805 Postage & silipation 1,289 4,981 1,005 1,981 1,129 — 1,980 Telephone 1,290 1,417 2,244 2,911 — 7,862 Occupancy 3,219 4,590 8,675 11,116 — 27,800 Depreciation 1,88 334 671 445 — 1,688 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 — 1

item-b	y-Item A	llocation	of Shared	& Admin Co	sts
	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
101742		_	,		-,,
					1,200,000
TOTAL	Prog 3	Prog 2	Prog 1	Shared	Total
Total Direct Costs	Prog 3 2 Million	Prog 2		Shared	
			Prog 1	Shared 0	Total
Total Direct Costs	2 Million	1 Million	Prog 1 100,000		Total 3.1 Million
Total Direct Costs	2 Million 39,000	1 Million	Prog 1 100,000 1,800	0	Total 3.1 Million 60,000
Total Direct Costs Rent Audit	2 Million 39,000 13,000	1 Million 19,200 6,400	Prog 1 100,000 1,800 600	0	Total 3.1 Million 60,000 20,000

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

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



Indirect Cost Definition Choices

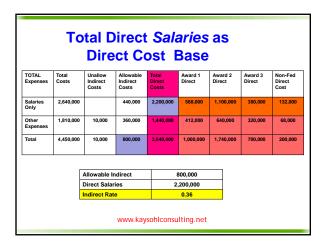
- Must include administrative costs which benefit entire entity
- May include other common or shared costs which benefit entire entity:
 - Facilities
 - Telephone/internet
 - · Copiers, etc.

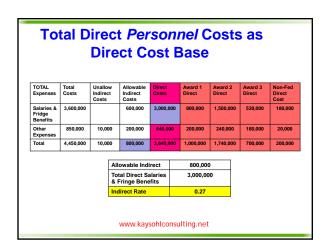
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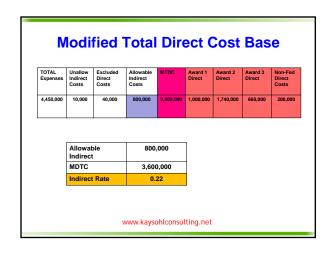
	_						
		P	rograms				
	_	A	В	c	Admin	Shared	Total
expenses:							
Salaries & wages	5	18,613	19,500	23,347	18,557	5,150	85,167
Employee benefits		2,792	2,925	3,502	2,784	772	12,775
Materials & supplies		5,200	8,900	3,581	1,124	0	18,805
Postage & shipping		605	987	4,251	895	2,088	8,826
Printing & publications		1,000	1,355	756	201	50	3,362
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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 sharedd costs		2,112	2,667	3,084	2,460	(10,323)	0
otal 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

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







	Uniform Guidance permits 10% MTDC de minimis rate not 10% of total costs								
Total Exper	nses	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
	Allov Indir		400,						
	Indir	ect 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

		Indir	MT	pplyi DC Ba Cost I		(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

lmp	act o	of 5%	Ad	min (Cost	Limit	atio	n
TOTAL Expenses	Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Award 1	Award 2	Award 3	Unrestricte 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

	То	tal Dir	-	plyin alarie	_	sed IC	CR	
	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
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		Indir	MT	pplyi DC Ba Cost I		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

pact	of 5	% A	dmir	Cos	t Lin	nitat	ion
Unallow Indirect Costs	Excluded Direct Costs	Indirect Costs	MTDC	Award 1	Award 2	Award 3	Unrestricted Sources
10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
			400,000	100,000	210,000	70,000	20,000
				-50,000			50,000
						40,000	
							10,000
				1,050,000	2,310,000	810,000	280,000
	Unallow Indirect Costs	Unallow Excluded Direct Costs Costs	Unallow Excluded Indirect Direct Costs Costs Unallow Excluded Costs	Unallow Excluded Indirect Indirect Costs Costs 10,000 40,000 400,000 4,000,000	Unallow Indirect Indirect Costs Costs Costs 10,000 40,000 4,000,000 1,000,000 400,000 400,000 -50,000	Unallow Indirect Direct Costs	Indirect Costs Costs State Costs State Costs State Costs State Costs State Costs State S

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 17th 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	Management Fund raising Senior	Senior Services	Homeless Services	Energy Assistance
Personnel						
Prof.						
Services						
Occupancy						
XXXXX						
Total						
Expenses						

Funding Agreement Cost Center Format

Personnel	sonnel			
Prof. Services	vices			
Occupancy	cupancy			
XXXXX	XX			
Total Expenses	al penses			

Exhibit 11

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

	ľ		PROGRAM A	AM A	
	1	Gov't	Private	General	
		grant	grant	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
	49	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%

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

	ī	_	Programs				
	η	A	В	С	Admin	Shared	Total
Expenses:							100
Salaries & wages	4	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	0 166,085

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

[e.g., Program A: 6.6% X \$31,869 = \$2,112]

^{2.} Shared costs are allocated by applying shared cost rate (6.6%) to each cost center's total direct expenses

Shared Costs Allocated Item by Item

Organization C - Shared cost rate of 0%

	2	Programs				
	A	В	C	Admin	Shared	Total
Expenses:						
Salaries & wages \$	19,255	21,621	25,388	18,903	1	85,167
Employee benefits	2,881	3,050	3,727	3,117	1	12,775
Materials & supplies	5,200		3,581	1,124	ľ	18,805
Postage & shipping	923		4,541	1,750	1	8,826
Printing & publications	1,025		800	157	-	3,362
Telephone	1,290	1,417	2,244	2,911		7,862
Occupancy	3,219	Į.	8,675	11,116	-	27,600
Depreciation	188	334	671	495	-	1,688
Total direct expenses	33,981	42,904	49,627	39,573	1	166,085
Allocation of shared costs		1	ı	1	1	
\$	33,981	42,904	49,627	39,573	1	166,085

^{1.} The shared cost rate = 0%. No shared cost allocation mechanism is used; all expenses are charged directly

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

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

Organization A - "Fully loaded" cost model

Direct Programs A B C Admin Shared Total benses: \$ 18,613 19,500 23,347 18,557 5,150 85,167 alaries & wages \$ 18,613 19,500 23,347 18,557 5,150 85,167 mployee benefits 2,792 2,925 3,502 2,784 772 12,775 laterials & supplies 5,200 8,900 3,581 1,124 772 12,775 laterials & supplies 1,000 1,355 7,56 201 8,826 orinting & publications 1,000 1,355 7,56 201 5,085 cicupancy 7,219 4,590 9,675 11,116 2,263 7,862 cicupancy 2,211 7,862 95 151 0 1,688 al direct expenses 31,869 40,237 46,543 37,113 10,323 166,085 ocation of shared costs 2,112 2,667 3,084 </th <th>166,085</th> <th>0</th> <th>0</th> <th>65,151</th> <th>56,324</th> <th>44,610</th> <th>\$</th>	166,085	0	0	65,151	56,324	44,610	\$
Direct Direct A B C Admin Shared \$ 18,613 19,500 23,347 18,557 5,150 2,792 2,925 3,502 2,784 772 5,200 8,900 3,581 1,1124 0 605 987 4,251 895 2,088 1,000 1,355 756 201 50 756 1,222 1,336 2,285 2,263 2,219 4,590 9,675 11,116 0 31,869 40,237 46,543 37,113 10,323 2,112 2,667 3,084 2,460 (10,323) 33,981 42,904 49,627 39,573 0	0	0	(39,573)	15,524	13,420	10,629	Allocation of admin costs
Direct Direct A B C Admin Shared \$ 18,613 19,500 23,347 18,557 5,150 \$ 2,792 2,925 3,502 2,784 772 \$ 5,200 8,900 3,581 1,124 0 605 987 4,251 895 2,088 1,000 1,355 756 201 50 756 1,222 1,336 2,285 2,263 2,219 4,590 9,675 11,116 0 684 758 95 151 0 31,869 40,237 46,543 37,113 10,323 2,112 2,667 3,084 2,460 (10,323)	166,085	0	39,573	49,627	42,904	33,981	Total direct & shared costs
Direct Programs A B C Admin Shared \$ 18,613 19,500 23,347 18,557 5,150 \$ 2,792 2,925 3,502 2,784 772 \$ 5,200 8,900 3,581 1,124 0 \$ 605 987 4,251 895 2,088 \$ 1,000 1,355 756 201 50 \$ 756 1,222 1,336 2,285 2,263 \$ 2,219 4,590 9,675 11,116 0 \$ 684 758 95 151 0 \$ 31,869 40,237 46,543 37,113 10,323 3	0	(10,323)	2,460	3,084	2,667	2,112	Allocation of sharedd costs
Direct Direct Programs A B C Admin Shared 8 wages \$ 18,613 19,500 23,347 18,557 5,150 98 wages \$ 2,792 2,925 3,502 2,784 772 98 wages \$ 1,220 8,900 3,581 1,124 0 98 shipping 605 987 4,251 895 2,088 8 shipping 605 987 4,251 895 2,088 8 publications 1,000 1,355 756 201 50 1cy 2,219 4,590 9,675 11,116 0 1cy 2,219 4,590 9,675 11,116 0 1cy 2,219 4,590 9,675 11,116 0 1cy 2,284 758 95 151 0	166,085	10,323	37,113	46,543	40,237	31,869	Total direct expenses
Direct Direct Programs A B C Admin Shared 8 wages \$ 18,613 19,500 23,347 18,557 5,150 9 wages \$ 1,222 3,581 1,124 0 9 wages \$ 1,000 1,355 756 201 50 8 wages \$ 1,000 1,355 756 201 50 8 publications 1,000 1,355 756 2,285 2,263 1 cy 2,219 4,590 9,675 11,116 0	1,688	0	151	95	758	684	Depreciation
Direct Direct Programs A B C Admin Shared 8 wages \$ 18,613 19,500 23,347 18,557 5,150 9 benefits 2,792 2,925 3,502 2,784 772 9 k shipping 605 987 4,251 895 2,088 8 publications 1,000 1,355 756 201 50 756 1,222 1,336 2,285 2,263	27,600	0	11,116	9,675	4,590	2,219	Occupancy
Direct Programs A B C Admin Shared & wages \$ 18,613 19,500 23,347 18,557 5,150 & wages \$ 2,792 2,925 3,502 2,784 772 s & supplies 5,200 8,900 3,581 1,124 0 & shipping 605 987 4,251 895 2,088 & publications 1,000 1,355 756 201 50	7,862	2,263	2,285	1,336	1,222	756	Telephone
Direct Programs A B C Admin Shared 8. wages \$ 18,613 19,500 23,347 18,557 5,150 9.e benefits 2,792 2,925 3,502 2,784 772 9.8 supplies 5,200 8,900 3,581 1,124 0 8. shipping 605 987 4,251 895 2,088	3,362	50	201	756	1,355	1,000	Printing & publications
Direct Programs A B C Admin Shared 8 wages \$ 18,613 19,500 23,347 18,557 5,150 se benefits 2,792 2,925 3,502 2,784 772 s & supplies 5,200 8,900 3,581 1,124 0	8,826	2,088	895	4,251	987	605	Postage & shipping
Direct Programs A B C Admin Shared & wages \$ 18,613 19,500 23,347 18,557 5,150 & benefits \$ 2,792 2,925 3,502 2,784 772	18,805	0	1,124	3,581	8,900	5,200	Materials & supplies
Direct Programs A B C Admin Shared 8 wages \$ 18,613 19,500 23,347 18,557 5,150	12,775	772	2,784	3,502	2,925	2,792	Employee benefits
Direct Programs A B C Admin Shared	85,167	5,150	18,557	23,347	19,500	18,613	Salaries & wages \$
Direct Programs C Admin Shared							Expenses:
	Total	Shared	Admin	С	В	A	
					rograms	Р	f
CIDE CALENDED				EQ.	Direct		ľ
			CHOCA	IOIAL EAR			

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

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% 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 X (\$39,573/(\$166,085 - \$39,573)) = \$10,629]

Total Direct Salaries as **Direct Cost Base**

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

2,200,000

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

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

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

Modified Total Direct Cost Base

4,450,000 1	TOTAL UI
10,000	Unallow Indirect Costs
40,000	Excluded Direct Costs
800,000	Allowable Indirect Costs
3,600,000 1,000,000	MTDC
1,00	Award 1 Direct
0,000	;; d 1
0,000 1,740,000	d 1 Award 2 t Direct

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

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

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

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

Applying MTDC Based Indirect Cost Rate (ICR)

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

Impact of 5% Admin Cost Limitation

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

Applying Total Direct Salaries Based ICR

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

Applying Total Direct Personnel Costs based ICR

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

Applying MTDC Based Indirect Cost Rate (ICR)

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

Impact of 5% Admin Cost Limitation

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