

Independent Living Center

Model Cost Allocation Plan

Use the following model Cost Allocation Plan (CAP) as guidance for Non-profit independent living centers. The CAP should be tailored to fit specific policies of each center. If your center's policies are different in any of the categories, please specifically identify the methodology used. Although there are different methodologies available for allocating costs, the methodology used should result in an equitable distribution of costs to programs. Centers must have a system in place to equitably charge costs. Additionally, as required by Office of Management and Budget Circular A-122, time distribution records must reflect an after-the-fact determination of the actual activity of each employee. Considerations in determining an appropriate base for allocating costs include the relative benefits received, the materiality of the cost, and the amount of time and cost to perform the allocation.

Independent Living Center Cost Allocation Plan

Purpose / General Statements

The purpose of this cost allocation plan is to summarize, in writing, the methods and procedures that this center will use to allocate costs to various programs, grants, contracts and agreements.

OMB Circular A-122, “Cost Principles for Non-Profit Organizations” establishes the principles for determining costs of grants, contracts and other agreements with the Federal Government. (*This Center’s*) Cost Allocation Plan is based on the Direct Allocation method described in OMB Circular A-122. The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final costs objective.

Only costs that are allowable, in accordance with the cost principles, will be allocated to benefiting programs by (*This Center*).

General Approach

The general approach of (*This Center*) in allocating costs to particular grants and contracts is as follows:

- A. All allowable direct costs are charged directly to programs, grants, activity, etc.
- B. Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.
- C. All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etc. using a base that results in an equitable distribution.

Schedule of Federal Awards

Attached is a schedule of current and anticipated federal awards by grantor agency. Included in the schedule for each award is the catalog of federal domestic assistance number, award number, and the amount of award. The schedule includes pass through funds received from state agencies and other prime recipients.

Reconciliation with IRS Form 990

The direct expenses and the indirect expenses allocated under this plan for a fiscal year are reconcilable to the functional expenses reported by the CIL on its Form 990- Return of Organization Exempt From Income Tax for the same fiscal year.

Allocation of Costs

The following information summarizes the procedures that will be used by (*This Center*) beginning (*Month/Day/Year*):

A. Compensation for Personal Services

Daily timesheets are prepared by all CIL employees and reflect an after-the-fact determination of the actual activity of each employee. The time sheets account for the employees' total activity during the pay period. Each individual signs their time sheet at the end of each pay period indicating that the distribution of activity on the time sheet represents a reasonable estimate of the actual work performed by the employee during the period covered by the time sheet.

Only staff engaged in the actual administration of the agency are considered administrative staff. Administrative personnel costs and hours and salaries including vacation, sick and holiday costs and hours are allocated to programs based on the ratio of total program hours charged to each program by program personnel. Example One at the end of this plan shows an allocation of administrative hours when the administrative time benefits all programs. Example Two at the end of this plan shows an allocation of administrative hours when the administrative time benefits only a few programs.

Vacation, sick, and holiday time is allocated to each program for each program employee by the accountant in proportion to the number of hours worked on each program in the period preceding the time leave was taken. . At the end of each quarter, the bookkeeper performs an analysis of personal services costs. Actual hours in excess of allowable costs are picked up by local cash funds.

Compensatory time is not paid over and above the employee's regular salary. Compensatory time is accumulated in accordance with the Center's personnel policies. Salaried staff take time off for compensatory time in the same pay period it was accumulated. Regular staff are paid overtime in accordance with federal and state laws. Overtime must be pre-approved by supervisors.

B. Fringe Benefits

Fringe benefits (FICA, UC, and Worker's Comp.) are allocated in the same manner as salaries and wages. Health insurance, Dental insurance and Life & Disability and other fringe benefits are also allocated in the same manner as salaries and wages.

C. Travel Costs –

Travel is charged directly to the program that benefits from the travel, or is allocated among programs according to the percentage of time that the staff person worked on each grant during the pay period in which the travel was taken. Administrative travel is an indirect cost allocated to the programs receiving benefits from the travel in proportion to the administrative salary allocation.).

Administrative travel costs that benefit all programs will be allocated based on a ratio of each program's salaries to total program salaries (see Example One). Travel costs that benefit only a few programs will be allocated to those programs based on the ratio of each program's salaries to the total of those programs' salaries (see Example Two).

D. Contractual Services and Professional Services Costs (such as consultants, accounting and auditing services)

Contractual services consisting of interpreter services, recreation services, and consumer service contracts are charged directly to the programs benefiting from the services. Professional service costs are also charged directly to the program for which the service was incurred. Contractual and professional service costs that benefit all programs will be allocated based on a ratio of each program's expenses to total program direct expenses (see Example Three). Contractual and professional services that benefit only a few programs will be allocated to those programs based on the ratio of each program's direct expenses to total of the selected program direct expenses (see Example Four).

E. Equipment

(This Center) depreciates equipment when the initial acquisition cost exceeds \$x,xxx. Items below \$x,xxx are reflected in the supplies category and expensed in the current year. Unless allowed by the awarding agency, equipment purchases are recovered through depreciation. Depreciation costs for allowable equipment used solely by one program is charged directly to the program using the equipment. Equipment that benefits all programs will be allocated based on a ratio of each program's direct expenses to total direct expenses (see example Three). If only a few programs benefit from the equipment, then an allocation of the depreciation costs will be based on a ratio each program's direct expenses to the total of the selected programs' direct expenses (see example Four).

- F. Office Supplies (including postage), and Printing**
Office supplies and printed materials used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit all programs will be allocated based on a ratio of each program's direct expenses to total direct expenses (see Example Three). Costs that benefit only a few programs will be allocated to those programs based on the ratio of each program's direct expenses to the total of the selected programs' direct expenses (see Example Four).
- G. Facility Expense including Facility Maintenance and Repair**
Facility expense can be allocated to each program based on a percentage of total program salaries charged to each program by program personnel. Square footage used in each program is an alternative to salaries as an allocation basis. Example Five shows how to allocate facility expenses based on square footage. In that example, total square footage used by all personnel to total useable square footage is calculated. Facilities costs related to general and administrative activities are allocated to programs in a second step based on the ratio of program square footage to total program square footage. At the end of each quarter, the bookkeeper performs an analysis to ensure that rent expenses have not exceeded grant funding. Any overage is paid by local cash funds.
- H. Insurance**
Insurance needed for a particular program is charged directly to the program requiring the coverage. Other insurance coverage that benefits all programs is allocated based on a ratio of each program's expenses to total program expenses as shown in Example Three.
- I. Telephone/Communications**
Long distance and local calls are charged to programs if readily identifiable. Other telephone/communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to total program expenses as shown in Example Three. Costs that benefit only a few programs will be allocated based on a ratio of each program's expenses to the total expenses of the selected programs as shown in Example Four.
- J. Training/Conferences/Seminars**
Seminars are charged directly to one program or allocated among programs according to the percentage of time that the staff person attending the training, conference or seminar worked on each grant during the four pay periods prior to the time the training conference or seminar occurred. Administrative training, conferences, or seminar expenses are allocated to each program based on the ratio of each program's personnel expenses to total program personnel expenses as shown in Example One if the entire center benefits or Example Two if only selected programs benefit.
- K. Other Costs (including dues, licenses, fees, etc.)**
Other joint costs will be allocated on a basis determined to be appropriate to the

particular costs. (Grantee should describe methodology for applicable costs).

L. Unallowable Costs

Costs that are unallowable in accordance with OMB Circular A-122, include alcoholic beverages, bad debts, contributions, entertainment, some advertising, and fines and penalties. Lobbying and fundraising costs are unallowable, however are treated as direct costs and allocated their share of general and administrative expenses.

Examples of Allocation Methodology

Example One

Administrative Expense Amount = \$10,000

Costs that benefit **all** programs are allocated based on a ratio of each program's personnel costs (salaries & applicable benefits) to total program personnel costs, as follows:

Grant	Personnel Costs	%	Admin. Allocated
A	\$ 20,000	13%	\$1,300
B	\$ 10,000	7%	\$ 700
C	\$ 30,000	20%	\$2,000
D	\$ 40,000	27%	\$2,700
E	\$ 50,000	33%	\$3,300
Total	\$150,000	100%	\$10,000

Example Two

Administrative Expense Amount = \$5,000

Administrative Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's personnel costs (salaries & applicable benefits) to the total personnel costs of the selected programs, as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$ 20,000	20%	\$1,000
C	\$ 30,000	30%	\$1,500
E	\$ 50,000	50%	\$2,500
Total	\$100,000	100%	\$5,000

Example Three

Expense Amount = \$8,000

Costs that benefit **all** programs will be allocated based on a ratio of each program's direct expenses to total program expenses before administrative allocations as follows:

Grant	Program Expenses	%	Amount Allocated
A	\$ 120,000	18%	\$1,440
B	\$ 110,000	17%	\$1,360
C	\$ 130,000	20%	\$1,600
D	\$ 140,000	22%	\$1,760
E	\$ 150,000	23%	\$1,840
Total	\$650,000	100%	\$8,000

Example Four

Expense Amount = \$4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's direct expenses to the total expenses of the selected programs before administrative allocations as follows:

Grant	Program Expenses	%	Amount Allocated
A	\$ 120,000	30%	\$1,200
C	\$ 130,000	33%	\$1,320
E	\$ 150,000	37%	\$1,480
Total	\$ 400,000	100%	\$4,000

Example 5

Facilities Expense Amount = \$10,000

Facilities costs are allocated based on square footage. Square footage for each program and general and administrative activity is considered in the analysis. General and administrative facilities costs are further allocated to each program based on the square footage of each grant program to the total square footage of all grant programs. The calculation is as follows:

Grant	Square Footage	%	Amount Allocated	G&A Allocated	Total Amount Allocated
A	300	30%	\$ 3,000	\$ 340	\$ 3,340
B	100	10%	\$ 1,000	\$ 110	\$ 1,110
C	200	20%	\$ 2,000	\$ 220	\$ 2,220
D	200	20%	\$ 2,000	\$ 220	\$ 2,220
E	100	10%	\$ 1,000	\$ 110	\$ 1,110
G&A	100	10%	\$ 1,000	0	0
Total	1,000	100%	\$10,000	\$1,000	\$10,000

Restricted Rate Programs

- For awards that have a federal requirement not to supplant non-federal funds, the Center will exclude from the allocations the costs of its chief executive officer's (CEO) immediate office (salaries, fringe benefits, and related operating costs). It will not allocate costs unallowable under these awards to other federal awards. 1/
- The Travel, Occupancy and other costs related to the above personnel will also be excluded from the allocation to Restricted Rate programs.
- The only allowable occupancy and facilities maintenance costs are those associated with the support of allowable general and administrative staff.
- The total administrative costs allocated to the Restricted Rate awards may not exceed eight percent of the awards' modified total direct costs. See 34 CFR 76.564 (c).

1/ As an example, the CEO's immediate office costs are \$300,000. The CIL has four federal awards with salary costs of \$200,000 each. Grant A is from a Restricted Rate program.

Incorrect:

<u>Grant</u>	<u>Personnel Costs</u>	<u>% of Total</u>	<u>Allocated</u>	<u>Unallowable</u>
A	\$200,000		\$ 0	\$ 0
B	\$200,000	33.33%	\$100,000	\$ 0
C	\$200,000	33.33%	\$100,000	\$ 0
D	<u>\$200,000</u>	<u>33.33%</u>	<u>\$100,000</u>	<u>\$ 0</u>
Totals	\$600,000	100.00%	\$300,000	\$ 0

Correct:

<u>Grant</u>	<u>Personnel Costs</u>	<u>% of Total</u>	<u>Allocated</u>	<u>Unallowable</u>
A	\$200,000	25%	\$ 0	\$75,000
B	\$200,000	25%	\$ 75,000	\$ 0
C	\$200,000	25%	\$ 75,000	\$ 0
D	<u>\$200,000</u>	<u>25%</u>	<u>\$ 75,000</u>	<u>\$ 0</u>
Totals	\$800,000	100%	\$225,000	\$75,000