Agenda

- Allocating Indirect Cost
  - Why allocating costs is important to nonprofits
  - Identifying indirect costs
  - Different methods for allocating

- Joint Cost
  - What qualifies as a joint cost
  - Meeting the 3-part test
  - Ratios and charity watch groups

- Negotiated Indirect Cost Rate Agreement (NICRA)
  - Allowable/unallowable costs
  - Modified Total Direct Costs vs Labor
  - Applying for a NICRA
Learning Objectives

After attending this live webinar you will be able to:

• Identify indirect costs to allocate and understand methods for allocating them.
• Explain joint cost allocation and the steps required to pass the joint allocation test.
• Recognize unallowable costs.
• Understand how to apply for a negotiated indirect rate for a Federal award.
Polling Question 1

How confident are you with your organization’s method to allocate indirect costs?

• Very confident
• Confident
• Not sure
• Not confident
• Help!
Why Allocating Costs Is Important for Nonprofits

• What is the true cost of conducting a program? It’s obvious that there’s more than the total spent directly on the program. There are expenses that typically benefit multiple cost objectives that need to be captured.

• As defined by the Code of Federal Regulations (CFR) Section 200.56: “Indirect costs mean those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.”
Definitions

- **Cost Objective** – a function, organizational subdivision, contract, federal award or other work unit to which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs, and capitalized projects.
Definitions (cont.)

- **Direct Costs**: Expenses incurred specifically to further the grant program objective. These include items specified in the approved grant budget line items.

- **Indirect Costs**: Expenses that have been incurred for common or shared objectives and cannot be readily identified with a particular final cost objective. Example: Administrative and overhead are indirect costs.

- **Indirect Cost Rate**: A rate used to uniformly allocate administrative and overhead costs across programs. Either specified in the award document or a Negotiated Indirect Cost Rate Agreement (NICRA) from the cognizant agency.
Identifying Indirect Costs

• Examples of indirect costs include: Utilities and rent expense, health insurance, equipment depreciation, officer salaries, human resources, accounting and legal fees, office and cleaning supplies.

• Essentially these are the labor and other costs that aren’t specifically generated as a result of the organization’s primary operations and that keep the day-to-day operations running.
Terminology

• Shared Costs
  – Direct costs that benefit two or more programs

• Overhead Costs
  – Facilities for program, program supervision, equipment

• General & Administrative (G&A) Costs
  – Accounting, finance, president, facilities for administrative staff

• Facilities & Administrative (F&A) Costs
  – May be further split into two where Facilities is depreciation and use allowances on buildings and equipment and administration is G&A.
Determining Chargeable Costs

**REASONABLE**

- Ordinary and necessary
- Supports operation
- Contributes to ability to conduct program mission

**ALLOCABLE**

- Tied to cost objective, contract, grant or service
- Proportional to benefits

**ALLOWABLE**

- Allowability determined by OMB Guidelines, Uniform Guidance, and grant provisions
Different Methods for Allocating

2 CFR § 200.56 continues: “Indirect cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.”

Indirect cost pool / Direct cost base = Indirect cost rate

Look at it this way: if the indirect rate is 35%, then for every direct dollar spent on the program, the organization is incurring 35 cents of indirect cost.

Where it gets complex is determining the what goes into the indirect pool and which allocation base to use.
Different Methods for Allocating (Cont.)

You may also have multiple rate structures:

• **Simple Method**
  - **Single-rate** – used when indirect costs benefit major functions to the same degree

• **Multiple Allocation Base Method**
  - **Two-rate** (separate rates for fringe and overhead)
  - **Three-rate** (fringe, overhead, and G&A) – used when indirect costs benefit major functions to varying degrees

• **Direct Allocation Method**
  - when programs are charged for all costs directly
Polling Question 2

What method of allocating does your organization use?

- Simple method
- Multiple allocation base method
- Direct allocation method
- Don’t know
More on Direct Allocation

- Common bases for allocating using the direct method

<table>
<thead>
<tr>
<th>Directly Allocated Cost</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>• Cost of programs</td>
</tr>
<tr>
<td></td>
<td>• Square footage by program</td>
</tr>
<tr>
<td>Information Technology</td>
<td>• Number of computers per program</td>
</tr>
<tr>
<td></td>
<td>• Number of personnel serviced by program</td>
</tr>
<tr>
<td></td>
<td>• Hours spent by department</td>
</tr>
<tr>
<td>Human Resources</td>
<td>• Number of employees per department or program</td>
</tr>
<tr>
<td></td>
<td>• Amount of payroll by program</td>
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</table>
## Common bases

<table>
<thead>
<tr>
<th>Directly Allocated Cost</th>
<th>Bases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property insurance</td>
<td>• Square footage by program</td>
</tr>
<tr>
<td></td>
<td>• Cost of property per department</td>
</tr>
<tr>
<td>Internal audit</td>
<td>• Number of employees by program</td>
</tr>
<tr>
<td></td>
<td>• Hours worked by auditor per department</td>
</tr>
<tr>
<td>Maintenance services</td>
<td>• Square footage by program</td>
</tr>
<tr>
<td></td>
<td>• Actual cost</td>
</tr>
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</table>
Direct Allocation Method

Rent Expense

- Grant A
- Indirect Cost Pool
- Grant B
- Non-federal grant
How to Compute Simple Indirect Rates

<table>
<thead>
<tr>
<th>Direct – all programs</th>
<th>Indirect pool</th>
<th>Rates</th>
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<tbody>
<tr>
<td>Salary + Fringe</td>
<td>$1,500,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Non-salary expense</td>
<td>$800,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Total</td>
<td>$2,300,000</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

Method A: \( \frac{\text{total indirect \$500,000}}{\text{salary and fringe \$1,500,000}} = 33\% \)

Method B: \( \frac{\text{total indirect \$500,000}}{\text{total direct \$2,300,000}} = 22\% \)

Method may be determined by grant award or NICRA. Must be consistently applied.
# Applying an Indirect Rate

<table>
<thead>
<tr>
<th></th>
<th>Program 1</th>
<th>Method A</th>
<th>Method B</th>
<th>Calculated Indirect</th>
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</thead>
<tbody>
<tr>
<td>Salary + Fringe</td>
<td>$ 500,000</td>
<td>= 33% x $500,000</td>
<td></td>
<td>$ 165,000</td>
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<tr>
<td>Non-salary expense</td>
<td>$ 400,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 900,000</td>
<td>=22% x $900,000</td>
<td></td>
<td>$ 198,000</td>
</tr>
</tbody>
</table>

**Method A:** Using rate calculated on total of all programs’ salary and fringe, applied to specific program portion of salary and fringe.

**Method B:** Using rate calculated on total of all programs’ costs, applied to total specific program cost.
Joint Cost Allocation
Polling Question 3

Have you heard of joint cost?

Yes, I know what it is.
Yes, I’ve heard of it, but not clear.
No, it’s a new term for me.
Joint Cost

The term **joint cost** has a very particular meaning in the nonprofit world. It refers to a cost that has components that include both program and fundraising.

**Statement of Position 98-2, Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fund Raising** [now under Accounting Standards Codification (ASC) 958-720]

Some nongovernmental not-for-profit organizations solicit support through a variety of fund-raising activities. These activities include direct mail, telephone solicitation, door-to-door canvassing, telethons, special events, and others. Sometimes fund-raising activities are conducted with activities related to other functions, such as program activities or supporting services.

External users of financial statements—including contributors, creditors, accreditation agencies, and regulators—want assurance that fundraising costs, as well as program costs and management and general costs are stated fairly. Certain financial statement disclosures are required if joint costs are allocated between fund-raising and program.
Criteria

- In order to be eligible as joint costs, certain criteria **must** be met.
- From SOP 98-2: “If the criteria of purpose, audience, and content are met, the costs of a joint activity that are identifiable with a particular function should be charged to that function and joint costs should be allocated between fund raising and the appropriate program or management and general function. If any of the criteria are not met, all costs of the joint activity should be reported as fund-raising costs, including costs that otherwise might be considered program or management and general costs if they had been incurred in a different activity.”
Purpose

• **Purpose** – The purpose criterion is met if the purpose of the joint activity includes accomplishing program objectives.

• Just educating the audience about the nonprofit’s mission or motivating the audience to otherwise engage in specific activities that will educate them about causes is not a call for specific action by the audience that will help accomplish the entity’s mission.

• Asking the audience to make contributions is not a call for specific action by the audience that will help accomplish the entity’s mission.
Purpose (cont.)

• Another condition required in order to meet the purpose criteria is that there should be a similar program component that is conducted without the fund-raising component using the same medium and on a similar or greater scale.

• The organization should examine tangible evidence of intent (e.g., agreements, policies or other written guidance) to ensure that: (1) the organization intended to engage the audience in a call to action to help accomplish the organization’s mission, and (2) the majority of compensation of any party performing any part of the joint activity is not based on the contributions raised.
Audience

- A presumption exists that the audience criterion is not met if the audience includes prior donors or is otherwise selected based on its ability or likelihood to contribute to the entity. That presumption can be overcome if the audience is also selected for one of more of the following reasons:
  - The audience’s need to use or reasonable potential for use of the specific call to action.
  - The audience’s ability to take specific action to assist the entity in meeting the goals of the program component.
Content Criterion

- The activity should have what is referred to as a *call to action*. This would be a specific action that the audience can do that helps accomplish the entity’s mission.

  - Example: The American Heart Association sends out a mailer including actions the reader can take to improve their heart health by stopping smoking.

Although the content criterion overlaps to some extent with the purpose criterion, the purpose criterion focuses on intention, while the content criterion looks at execution.
Allocating Joint Cost

• Once all three criterion are met, the cost allocation methodology used should be rational and systematic, it should result in an allocation of joint costs that is reasonable, and it should be applied consistently given similar facts and circumstances.

• Although there are various possible allocation methodologies, the most frequently used is the physical allocation methodology and the unit of measure typically used is space per page.

• Each activity should be separately analyzed and supportable. It is not appropriate to use a round “guesstimate” of 35% fund-raising.
Ratios and Charity Watch Groups

- Nonprofit organizations are keenly aware that charity watch groups are paying attention to fund-raising ratios. People generally will be reluctant to give if 50% of every dollar given goes to raise the next dollar.

- This creates an incentive to keep fund-raising expenses low.

- Many charity watch groups feel that joint cost allocation can be easily manipulated to artificially deflate fund-raising costs or may incorporate management’s bias.

- Therefore several charity watch groups ignore any joint cost allocation, counting the entire expense as fund-raising.
More on Indirects and NICRAs
Polling Question 4

Alcohol costs are _________ and communication costs are _________.

• Allowable and unallowable.
• Allowable and allowable.
• Unallowable and allowable.
• Unallowable and unallowable.
## Allowable vs Unallowable

A selection from 2 CFR § 200.420 and OMB Circular A-122

<table>
<thead>
<tr>
<th>Selected Cost Item</th>
<th>OMB Circular A-122, Attachment B Non-Profit Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and public relations costs</td>
<td>Allowable with restrictions</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>Unallowable</td>
</tr>
<tr>
<td>Audit costs and related services</td>
<td>Allowable with restrictions and as addressed in OMB Circular A-133</td>
</tr>
<tr>
<td>Communication costs</td>
<td>Allowable</td>
</tr>
<tr>
<td>Compensation for personal services</td>
<td>Unique criteria for support</td>
</tr>
<tr>
<td>Compensation for personal services - organization-furnished automobile</td>
<td>Unallowable for that portion of costs attributed to personal use</td>
</tr>
</tbody>
</table>

* Exceptions and restrictions may be detailed in the grant award document, the compliance supplement, or referenced on the agency website.
## Allowable vs Unallowable

<table>
<thead>
<tr>
<th>Costs</th>
<th>Allowability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and use allowances</td>
<td>Allowable with qualifications</td>
</tr>
<tr>
<td>Donations and contributions</td>
<td>Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)</td>
</tr>
<tr>
<td>Employee health, and welfare costs</td>
<td>Allowable with restrictions</td>
</tr>
<tr>
<td>Entertainment costs</td>
<td>Unallowable</td>
</tr>
<tr>
<td>Equipment and other capital expenditures</td>
<td>Allowability based on specific requirements</td>
</tr>
<tr>
<td>Fines and penalties</td>
<td>Unallowable with exception</td>
</tr>
<tr>
<td>Fundraising and investment management costs</td>
<td>Unallowable with exceptions</td>
</tr>
<tr>
<td>Goods or services for personal use</td>
<td>Unallowable</td>
</tr>
<tr>
<td>Allowable vs Unallowable</td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Housing and personal living expenses</td>
<td>Unallowable as overhead costs</td>
</tr>
<tr>
<td>Lobbying</td>
<td>Unallowable with exceptions</td>
</tr>
<tr>
<td>Maintenance and repair costs</td>
<td>Allowable with restrictions</td>
</tr>
<tr>
<td>Materials and supplies costs</td>
<td>Allowable with restrictions</td>
</tr>
<tr>
<td>Meetings and conferences</td>
<td>Allowable with restrictions</td>
</tr>
<tr>
<td>Professional service costs</td>
<td>Allowable with restrictions</td>
</tr>
<tr>
<td>Publication and printing costs</td>
<td>Allowable with restrictions</td>
</tr>
<tr>
<td>Rental cost of buildings and equipment</td>
<td>Allowable with restrictions</td>
</tr>
<tr>
<td>Selling and marketing costs</td>
<td>Unallowable with exceptions</td>
</tr>
<tr>
<td>Training costs</td>
<td>Allowable with limitations</td>
</tr>
<tr>
<td>Travel costs</td>
<td>Allowable with restrictions</td>
</tr>
</tbody>
</table>
Allowability Factors

2 CFR §200.403  Factors affecting allowability of costs.

- Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
  - (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
  - (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
  - (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
  - (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
  - (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
  - (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
  - (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.
Reasonable and Consistent

- National Institutes of Health defines reasonable as: “A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amount reflect the action that a prudent person would have taken under the circumstances prevailing when the decision to incur the cost was made.”

- And continues to describe consistency: “Costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit to a particular project or program, but all costs must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding.”
What to Do with Unallowable Cost

• Unallowable doesn’t mean you can’t have it at all, it means it can’t be included in your indirect cost pool. However, unallowable costs need to be included in your base as part of total expenses.

• Governmental agencies may reject costs as unallowable that it deems do not meet the allowability guidelines.
Definitions

• 2 CFR 200 Appendix 4 Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
  – **Cognizant Agency** for indirect costs – the federal agency responsible for negotiating and approving indirect cost rates for a nonprofit organizations on behalf of all federal agencies.

  – **Predetermined Rate** – an indirect cost rate, applicable to a specified current or future period, usually the organization’s first year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.

  – **Fixed Rate** – similar to a predetermined rate except that the difference between the estimated costs and the actual costs of the period is carried forward as an adjustment to the rate computation of a subsequent period.
Definitions (cont.)

- **Final Rate** – an indirect cost rate applicable to a specified past period based on the actual costs of the period. A final rate is not subject to adjustment.

- **Provisional Rate** – a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on federal awards pending the establishment of a final rate for the period.

- **Indirect Cost Proposal** – the documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. The proposal provides for the review and negotiation leading to the establishment of an organization’s indirect cost rate.
Negotiation and Approval of Rates

• In general, the federal agency with the largest dollar value of federal awards with an organization will be designated as the cognizant agency for the negotiation and approval of the indirect cost rate.

• Except as otherwise provided in 2 CFR § 200.414, a nonprofit without a previously established rate must submit its indirect cost proposal no later than three months after the effective date of the federal award.

• 2 CFR § 200.414 provides that a nonprofit that has never received a negotiated indirect cost rate may elect to charge a de minimus rate of 10% of modified total direct cost (MTDC) which may be used indefinitely.
Negotiation and Approval of Rates (cont.)

• Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency within six months after the close of each fiscal year.

• The results of each negotiation must be formalized in a written agreement between the cognizant agency for indirect costs and the nonprofit organization.
Allocation of Indirect Costs and Determination of Indirect Cost Rates

• If an organization has only one major function or where all its major functions benefit from its indirect costs approximately equally, the allocation and computation of an indirect cost rate may be accomplished through simplified allocation procedures.

• Each organization will have to determine what it considers to be its major programs.

• The base period for the allocation would generally be the organization’s fiscal year but in any event must be so selected as to avoid inequities in the allocation of costs.
Simplified Allocation Method

• If an organization’s major functions benefit from its indirect costs to approximately the same degree an indirect cost rate can be computed by the following calculation:

\[
\text{Total allocable indirect costs} \div \text{Equitable distribution base}
\]

The distribution base may be modified total direct costs or direct salaries and wages or another base which results in an equitable distribution.
Simplified Allocation Method

- Rent expense
- Other G&A expense
- Grant A
- Grant B
- Non-federal contract
Multiple Allocation Base Method

• If an organization’s indirect costs benefit its programs in varying degrees, indirect costs must be accumulated into separate cost groupings. Groupings are generally categorized within two broad categories “facilities” and “administration”.

• Many organizations break out cost groupings into fringe and overhead or possibly overhead and G&A. Fringe benefits are then allocated based on salary and wages and overhead gets allocated on Modified Total Direct Costs (MTDC).

• Costs incurred for the same purpose in like circumstances have to be treated consistently as direct or indirect costs.

• The essential consideration in selecting a method or a base is that it is the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and reason.
Modified Total Direct Cost

• The most common distribution base used is the Modified Total Direct Cost (MTDC).

• **2 CFR §200.68 Modified Total Direct Cost (MTDC)** means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward.

• MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000.
MTDC vs Labor

- Using MTDC instead of labor as a base will result in a lower rate as MTDC will have a larger denominator than labor by itself. Having a lower rate may be more appealing in competitive environments.
- Choosing labor over MTDC may be appropriate however if there are distorting costs that are not really reflective of the ongoing activities of the organization.
- You will have to pick one when applying for a Negotiated Indirect Rate Agreement (NICRA) and then stick with it.
Applying for a Negotiated Indirect Rate Agreement

• The first step is to determine your cognizant agency. This has either been assigned or it will be the agency with whom your organization does the highest dollar amount of work with.

• Each agency has an application form available on its website and each has slightly different requirements for filling it out.

• Your grants officer should be able to help you obtain a contact within the agency’s Division of Cost Determination.
Applying for a NICRA

• The Department of Labor has a guide for applying for a NICRA here: http://www.dol.gov/oasam/boc/DCD-2-CFR-Guid-Jan2015.pdf

• It discusses much of what we’ve talked about here and goes through some preliminary steps to take.
Suggested Preliminary Steps

– Organizational Review

• Prepare a formal organization chart
• Determine which units are indirect functions
• Determine the services that are allowable and allocable to federal grants

– Review Federal and Non-Federal Funding

• Review the federal and non-federal outlays to determine programs being funded.
• Prepare a list of all funded programs in detail as to the amount or percent of reimbursement of direct and indirect costs.
• Contact the federal agency which provides the most funds regarding the procedures for the submission.
Suggested Preliminary Steps (cont.)

- **Review the Accounting Structure**
  - Obtain a chart of accounts in which the actual dollars expended can be related to various programs and/or organization structure.
  - Reconcile the accounting structure to the organization chart.
  - If necessary, determine changes to implement an indirect cost rate system of billing.

- **Prepare a Cost Policy Statement**
  - Develop a written policy that outlines the costs considered as direct, the costs considered to be indirect, and the rationale to support those costs.
Polling Question 5

Do you have a cost policy?

• Yes, and it’s up-to-date.
• Yes, but it could be updated.
• No, we don’t.
• I’m not sure.
Sample Cost Policy for Salaries and Wages

- Description of Cost Allocation Methodology –
  - A. Salaries and Wages
    - 1. Direct Costs - The majority of ABC’s employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization such as lobbying, fund raising or providing services to members. The charges are supported by auditable labor distribution reports which reflect the actual activities of employees.
    - 2. Indirect Costs - The following staff charge 100% of their salary costs indirectly: - Office Business Manager - Secretary/Receptionist
    - 3. Mixed Charges - The following employees may charge their salary costs to both direct and indirect activities: - Executive Director - Administrative Assistant

The distinction between direct and indirect is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs they are indirect. When functions are specific to one or more programs they are direct because they do not benefit all programs. Auditable labor distribution records which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges. The time records are certified by the Executive Director or designee.
Sample Cost Policy for Occupancy

• Occupancy Expenses
  – Rent - ABC occupies space it leases from Lessor Corporation. The lease provides for equal monthly payments during the term of the lease. Monthly lease costs are allocated, based on: square footage, directly and indirectly as follows:
    • 1. Direct Costs - The cost of space occupied by staff whose salaries are directly charged is charged directly.
    • 2. Indirect Costs - The cost of space occupied by staff whose salaries are indirectly charged is charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis will be allocated on a mixed basis in the same ratio as their salaries are allocated.

The cost of space required for common areas (hallways, restrooms, and ABC's conference room) will be accounted for as an indirect cost. ABC has developed a floor plan which identifies what areas are designated as direct and indirect charge space (based on square footage).
## Sample Schedule of Total Expenditures

<table>
<thead>
<tr>
<th>Elements of Cost</th>
<th>Financial Statement expenditures</th>
<th>Adjustments/unallowable</th>
<th>Grant A</th>
<th>Grant B</th>
<th>Non-federal grant</th>
<th>Total Direct Cost</th>
<th>Indirect Cost</th>
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<tbody>
<tr>
<td>Salaries and Wages</td>
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<td>$0</td>
<td>$950,615</td>
<td>$140,831</td>
<td>$19,897</td>
<td>$1,111,343</td>
<td>$216,295</td>
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<tr>
<td>Fringe</td>
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<td>28,138</td>
<td>3,974</td>
<td>202,219</td>
<td>43,215</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td><strong>$0</strong></td>
<td><strong>$1,120,722</strong></td>
<td><strong>$168,969</strong></td>
<td><strong>$23,871</strong></td>
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<td>129,314</td>
<td>0</td>
<td>100,956</td>
<td>24,637</td>
<td>692</td>
<td>126,285</td>
<td>3,029</td>
</tr>
<tr>
<td>Subawards</td>
<td>386,000</td>
<td>(216,000)</td>
<td>100,000</td>
<td>70,000</td>
<td>0</td>
<td>170,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotal other</strong></td>
<td><strong>926,932</strong></td>
<td><strong>(216,000)</strong></td>
<td><strong>537,046</strong></td>
<td><strong>126,599</strong></td>
<td><strong>37,484</strong></td>
<td><strong>701,129</strong></td>
<td><strong>9,803</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,500,004</strong></td>
<td><strong>(216,000)</strong></td>
<td><strong>1,657,768</strong></td>
<td><strong>295,568</strong></td>
<td><strong>61,355</strong></td>
<td><strong>2,014,691</strong></td>
<td><strong>269,313</strong></td>
</tr>
</tbody>
</table>
Caution!

- If the entity reduces overhead costs below the amount used in the calculation, it **will have to pay back** any overage billed based on the original rates. Rates must approximate actual expense incurred and are provisional. Under/over balances must be trued-up at year end. Entities that obtain a higher rate per the agreement are **not entitled** to that amount if actual costs incurred were lower.
Available Resources

• 2 CFR § 200.420 [http://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1#sg2.1.200_1419.sg16]

• OMB A-122 [http://www.whitehouse.gov/omb/circulars_a122_2004/#ac]


Questions?
About Carol Barnard

Carol Barnard, CPA, CFE, MBA, is a senior manager in Aronson’s Nonprofit and Association Industry Services Group. With more than 15 years of public accounting experience, Carol has focused her career exclusively on nonprofit audit and accounting issues, including federal funding and related Single Audit requirements, compliance issues, and the changes brought about by Uniform Guidance.

Carol is a CPA licensed in Virginia and Maryland. She earned her MBA in Accounting in 2003 and her Certified Fraud Examiner designation in 2012.