

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

Source:

US Department of Health and Human Services
Office of the Assistant Secretary for Administration and Management
Program Support Center

rates.psc.gov/fms/dca/np1.html

NOTE: This document has not been updated for the Uniform Guidance (2 CFR 200), and caution should be used when applying it

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A. INTRODUCTION

Name of Organization (nonprofit) is a nonprofit located in Anytown, USA. The nonprofit administers a variety of programs funded by Federal, State, and Local agencies. These programs include Community Service programs, Head Start programs, State Weatherization, and Food Service programs. This example assumes a June 30 year end. Nonprofits can have different year ends and should use the year end of their nonprofit when preparing indirect cost proposals.

B. COST ALLOCATION METHODOLOGY

This proposal is for an indirect cost rate based on the nonprofits actual costs for its fiscal year beginning July 1, 200X and ending June 30, 200X. The proposal is based on the nonprofit organization's audit report (Statement of Functional Expense Statement) for the year ended June 30, 200X.

This proposal addresses all elements of cost incurred by "Name of Organization" and identifies shared costs that require allocation.

The nonprofit treats all costs as direct costs except general administration and general expenses. Joint costs are prorated individually as direct costs to each category and to each award using a base most appropriate to the particular cost being prorated. Therefore, the direct allocation method has been used in allocating indirect costs.

C. DIRECT COSTS

Direct costs are costs that can be identified specifically with a project and therefore are charged to that project. The accounting system records these costs as they are incurred within the series of accounts assigned for that purpose and further distribution is not required.

D. INDIRECT COSTS

Indirect costs are costs incurred for common or joint objectives and therefore cannot be readily and specifically identified with a particular project or activity. These costs are grouped into common pool(s) and distributed to benefiting activities by a cost allocation process.

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E. COST POOL AND BASE FOR DISTRIBUTION

The nonprofit has created an Administrative Services Pool consisting of salaries, fringe benefits, and non-salary costs. The Administrative Services Pool is charged with all the indirect costs as defined above. The pool is distributed to the various program activities on the basis of direct salaries, including vacation, holiday, and sick pay but excluding other fringe benefits expended on those activities.

Volunteers for the Head Start program are included in the direct salaries total.

The total direct salaries and wages on which this proposal is based is \$1,111,343 which includes \$99,230 of volunteer salaries and wages for the Head Start program.

Volunteers involved in any direct activity of the organization should be included in the direct salaries base assuming they meet the requirements outlined in Circular A-122.

Circular A-122 can be found at: www.whitehouse.gov/omb/circulars/index.html

F. SUPPORTING FINANCIAL STATEMENTS

The Schedule of Total Expenditures (Schedule C) contained in this proposal is assumed to agree to the nonprofits audit report Statement of Functional Expenses.

- Audit report, Statement of Functional Expenses: \$2,632,449
- Indirect Cost Proposal: \$2,632,449

NOTE: Nonprofit must include a complete copy of the audited financial statements with their proposal submission.

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G. SALARIES

Listed below are the positions, functions, and budgeted annual salaries for the people who comprise the Administrative Services Pool. These positions are charged 100% to Administrative Services.

<u>Position</u>	<u>Function</u>	<u>Salary</u>
Executive Director	General Management	\$48,754
Deputy Director	General Management	\$30,664
Administrative Assistant to Executive Director	General Management	\$21,566
Administrative Secretary / Personnel Officer	Clerical support to the Executive Director and Administrative Assistant Responsible for personnel information	\$17,087
Finance Officer	Accounting and related activities	\$26,484
Bookkeeper	Accounting	\$20,797
Bookkeeper	Accounting	\$17,215
Bookkeeper / Payroll Clerk	Payroll accounting and general disbursements	\$16,560
Custodian	Cleaning	\$2,936
Receptionist	Switchboard / Clerical	\$14,232

	Total Administrative Services Pool Salaries:	\$216,295
		=====

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H. FRINGE BENEFITS

Fringe benefits associated with the positions within the Administrative Services Pool are as follows:

Payroll taxes:		
FICA (actual paid)	\$16,546	
State Unemployment (actual paid)	<u>\$1,145</u>	\$17,691
Health and Life Insurance (actual paid)		\$22,474
Retirement Plan (actual paid)		<u>\$3,050</u>

TOTAL		<u><u>\$43,215</u></u>

The nonprofits fringe benefit policies should be included with proposal submission.

I. NON-SALARY COSTS

Each category on non-salary expenditures has been analyzed based on the facts, and Schedule B shows the allocation between the Direct and Administrative Services Pool. Total non-salary direct costs excluding indirect cost reimbursements are \$984,656 of which direct is \$861,966 and indirect is \$122,690.

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J. COMPUTATION OF BASE AND POOL COSTS

Schedule A (attached) shows the computation of the indirect cost rate for the year ended June 30, 200X. A summary of the rate calculation follows:

Direct Costs (Base - Salaries and Wages):

Community Service	\$140,831
Head Start	\$950,615
Weatherization	\$18,305
Memberships and Fundraising	\$1,592

Total Direct Salaries:	\$1,111,343
	=====

Indirect Costs (Pool):

Administrative Services Salaries	\$216,295
Administrative Services Fringe Benefits	\$43,215
Administrative Services Non-salary costs	\$122,690

Total Administrative Services:	\$382,200
	=====

K. RATE

Adjusted indirect costs (above - pool):	\$382,200	
	-----	34.4%
Total direct salaries (above - base):	\$1,111,343	

L. FUNDING OF RATE

When the above rate is applied to the direct salaries paid from the State Department of Human Resource funds (Community Services Block Grant) and funds from the U.S. Department of Health and Human Services (Head Start Grant), the eligible reimbursement is \$374,365 (\$140,831 + \$950,615 = \$1,091,446 x 34.4% = \$374,365). However, the allowable budgeted funding for indirect costs was significantly less than the eligible reimbursement. The Department of Energy programs and other local funds will have to absorb their fair share of the difference, within their funding limitations. The nonprofit can apply to outside sources to absorb any difference in indirect costs paid by other programs.

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SCHEDULE A

Functional Groupings:

Direct Costs (Base - Salaries and Wages):	<u>Total Salaries</u>
Community Services	\$140,831
Head Start	
Salaries	\$851,385
Volunteers	<u>\$99,230</u>
	\$950,615
Weatherization	\$18,305
Memberships and Fundraising	\$1,592

Total Direct Salaries:	<u>\$1,111,343</u>
	=====

Indirect Costs (Pool):

Labor Costs	\$259,510
Non-Labor Costs	\$122,690

Adjusted Administrative Services Pool:	<u>\$382,200</u>
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RATE

Adjusted indirect costs (above - pool):	\$382,200	
	-----	34.4%
Total direct salaries (above - base):	\$1,111,343	

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SCHEDULE B

<u>Elements of Cost</u>	<u>Methodology of Allocation</u>
Contractual Services	Actual usage.
Depreciation / Use Allowance	Indirect cost.
Emergency assistance payments	Direct cost.
Equipment rental and maintenance	Rental and maintenance on equipment used in central office finance office.
Equipment / Capital	Purchasing of office furniture for use in performing administrative services.
Equipment / Minor	Actual usage.
Food costs	Direct cost.
Insurance	Actual usage.
Occupancy	Central office repairs and utilities on basis of square footage used for administrative services.
Office supplies	Office and janitorial supplies for administrative and program services.
Other expenses	Based on administrative services actual use.

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SCHEDULE B (continued)

<u>Elements of Cost</u>	<u>Methodology of Allocation</u>
Postage	Actual usage.
Professional fees	Accounting and audit services, payroll processing services, charged on work performed for administrative services.
Program supplies	Programs are charged to project as costs are incurred. Costs are direct costs.
Printing	Actual usage.
Renovations and improvements	Direct cost.
Telephone	Basic services allocated on number of instruments, toll calls charged on basis of logs of such calls for administrative services.
Travel	Charged based on actual administrative and program use of vehicles. Costs include mileage, transportation, per diem, gas, oil, repairs, and insurance on vehicles.

The methodologies used in this example are not recommended methodologies. They are used for purposes of example only. Allocation of costs should be accomplished on a cost benefit basis. This cost benefit can be different from one nonprofit to the next.

Schedule C

(A) ELEMENTS OF COSTS	(B) FINANCIAL STATEMENT	(C) ADJUSTMENTS	-----DIRECT PROGRAMS and ACTIVITIES-----				(H) TOTAL DIRECT COSTS	(I) INDIRECT COSTS
			(D) COMMUNITY SERVICE	(E) HEAD START	(F) WEATHERIZATION	(G) MEMBERSHIP & FUND RAISING		
Salaries and wages	\$1,327,638	a \$0	\$140,831	\$950,615	\$18,305	\$1,592	\$1,111,343 (1)	\$216,295
Fringe benefits	\$245,434	\$0	\$28,138	\$170,107	\$3,657	\$317	\$202,219	\$43,215
Subtotal labor	\$1,573,072	\$0	\$168,969	\$1,120,722	\$21,962	\$1,909	\$1,313,562 (2)	\$259,510
Contractual Services	\$245,420	\$0	\$3,493	\$207,770	\$34,157	\$0	\$245,420	\$0
Depreciation/Use allowance	\$41,582	\$0	\$0	\$0	\$0	\$0	\$0	\$41,582
Emergency asst. payments	\$72,859	\$0	\$52,809	\$0	\$20,050	\$0	\$72,859	\$0
Equipment rental and maint.	\$11,448	\$0	\$592	\$5,197	\$0	\$281	\$6,070	\$5,378
Equipment / Capital	\$58,215	(\$58,215) b	\$0	\$0	\$0	\$0	\$0	\$0
Equipment / Minor	\$546	\$0	\$0	\$0	\$546	\$0	\$546	\$0
Food costs	\$124,616	\$0	\$0	\$124,616	\$0	\$0	\$124,616	\$0
Insurance	\$12,554	\$0	\$92	\$8,209	\$85	\$373	\$8,759	\$3,795
Occupancy	\$129,314	\$0	\$24,637	\$100,956	\$459	\$233	\$126,285	\$3,029
Office supplies	\$32,540	\$0	\$1,794	\$13,317	\$3,649	\$842	\$19,602	\$12,938
Other expenses	\$36	(\$36) c	\$0	\$0	\$0	\$0	\$0	\$0
Postage	\$3,901	\$0	\$476	\$301	\$125	\$2,467	\$3,369	\$532
Professional fees	\$34,211	\$0	\$0	\$0	\$0	\$0	\$0	\$34,211
Program supplies	\$109,663	\$0	\$7,603	\$55,241	\$40,659	\$6,160	\$109,663	\$0
Printing	\$65,697	\$0	\$5,140	\$7,022	\$1,345	\$44,838	\$58,345	\$7,352
Renovations and improv.	\$16,470	(\$16,470) d	\$0	\$0	\$0	\$0	\$0	\$0
Telephone	\$29,013	\$0	\$5,788	\$13,331	\$349	\$600	\$20,068	\$8,945
Travel	\$71,292	\$0	\$7,298	\$56,553	\$2,513	\$0	\$66,364	\$4,928
Subtotal non-labor	\$1,059,377	(\$74,721)	\$109,722	\$592,513	\$103,937	\$55,794	\$861,966	\$122,690
TOTAL	\$2,632,449	(\$74,721)	\$278,691	\$1,713,235	\$125,899	\$57,703	\$2,175,528 (3)	\$382,200

Calculation of the Rate

(1) If the nonprofit organization uses Direct Salaries & Wages excluding fringe benefits as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (Direct S\&W)} &= \$1,111,343 = 34.4\% \end{aligned}$$

(2) If the nonprofit organization uses Direct Salaries & Wages including fringe benefits as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (Direct S\&W + FB)} &= \$1,313,562 = 29.1\% \end{aligned}$$

(3) If the nonprofit organization uses Modified Total Direct Costs (MTDC) as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (MTDC)} &= \$2,175,528 = 17.6\% \end{aligned}$$

Explanation of Adjustments

- a) Includes salaries and wages of \$99,230 for volunteers of the Head Start program.
- b) Excludes capital equipment purchases.
- c) Remove unallowable costs - \$22 Interest + \$14 Bad Debt = \$36.
- d) Excludes capital renovations and improvements.

General Notes

- This is a sample proposal only. It is not intended to prescribe a particular method for allocating costs. An organization should choose the Base that they feel will most accurately reflect the true allocation of their indirect costs to each program.
- An organization can use any ONE of the three bases shown. Regardless of what Base (1,2 or 3) is chosen the total indirect costs (\$382,200) do not change. The only thing that changes is the distribution Base.

INDIRECT COST PROPOSAL (ICP) CHECKLIST
(Check Off Boxes Below)

1. The ICP is supported by audited financial statements and the 2 CFR 200 Subpart F Single Audit Report. (The ICP including this checklist and other required certs. should be e-mailed as an attachment titled Proposal.pdf, and the financial statements & Single Audit should be attached as Financial Statements.pdf).
2. A reconciliation of item 1 (above) to the ICP has been made and is included in this proposal.
3. Any previous understandings with Cost Allocation Services (CAS) have been incorporated into this ICP.
4. Unallowable expenses have been eliminated from the indirect cost pool (e.g., contributed salaries and services, interest expense, bad debts, fund-raising, advertising, independent research and development [IR&D], depreciation on Federally funded assets and lobbying costs).
5. The indirect cost rate computation base is complete (i.e., it includes all activities that benefit from the indirect cost pool). For example, fund-raising, IR&D, project cost sharing and voluntary services are included where applicable.
6. The amount of direct Federal awards received by your organization and included in the direct cost base is \$_____.
A schedule of direct Federal awards is included with this proposal which identifies the amount of direct and indirect costs claimed for each award by Federal awarding agency. For example, Single Audit "Schedule of Expenditures of Federal Awards", etc. (2 CFR 200.38)
7. The amount of Federal subawards received by your organization and included in the direct cost base is \$_____.
A schedule of Federal subawards is included with this proposal which identifies the amount of direct and indirect costs claimed for each subaward by pass-through entity. For example, Single Audit "Schedule of Expenditures of Federal Awards", etc. (2 CFR 200.93)
8. Treatment of Paid Absences and Fringe Benefit Statements have not changed since the last indirect cost agreement.
9. We have not made any significant changes during the proposal fiscal year (i) to our accounting system or (ii) to the definition or to the accounting treatment of any expense category (e.g., a change in building/equipment costing methodology, a change in charging an expense from direct to indirect or vice versa).
10. We have not changed the equipment capitalization threshold during the proposal fiscal year. The capitalization level is \$ _____. (If there is a change made during the proposal fiscal year, please indicate the effective date of the change and the new capitalization level in the explanation box below.)
11. Interest costs included in the ICP have been determined in accordance with the requirements of 2 CFR 200.
12. For nonprofit organizations only. A schedule of "Management and General" salaries by employee, job title, salary, and percentage of salary included in the indirect cost pool. This amount must reconcile to total salary amount submitted with the proposal.
13. The required "Lobbying Cost Certificate" and "Certificate of Indirect (F&A) Costs" for nonprofit organizations or "Certificate of Indirect (F&A) Costs" for colleges and universities is attached.
14. A copy of a Notice of Grant Award (s) included (for first IDC submission).
15. A copy of a Tax Form 990(Required for Head Start and Grantees without audited financial statements).
16. Please provide the following information:
 Official Name: _____ Email: _____
 Contact Name: _____ Email: _____
 Phone Number: _____ Fax Number: _____
 Address: _____

Explanation of any numbered boxes not checked above:

Signature Date

Title

Organization

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LOBBYING COST CERTIFICATE

I hereby certify that the _____
(name of organization)
has complied with the requirements and standards on lobbying costs in 2 CFR 200, Subpart
E, Section 200.450 for the fiscal year ended _____
(fiscal year covered by indirect cost proposal)

Signature

Name

Title

Date

(Signed by the official having the authority to negotiate indirect cost rates for the organization or by a higher level official)

**Note: The above certification is a requirement of 2 CFR 200.
We will not be able to process your indirect cost proposal without this certification.**

Certificate of Indirect (F&A) Costs

This is to certify that to the best of my knowledge and belief:

- (1) I have reviewed the indirect (F&A) cost proposal submitted herewith;
- (2) All costs included in this proposal _____ [identify date of proposal] to establish billing or final indirect (F&A) costs rate for _____ [identify period covered by rate] are allowable in accordance with the requirements of the Federal awards to which they apply and with Subpart E - Cost Principles of Part 200.
- (3) This proposal does not include any costs which are unallowable under Subpart E - Cost Principles of Part 200 such as (without limitation): public relations costs, contributions and donations, entertainment costs, fines and penalties, lobbying costs, and defense of fraud proceedings; and
- (4) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the Federal awards to which they are allocated in accordance with applicable requirements.

I declare that the foregoing is true and correct.

Nonprofit Organization

Signature

Name of Official

Title

Date of Execution