

Please Note



This resource can be edited based on written instructions.

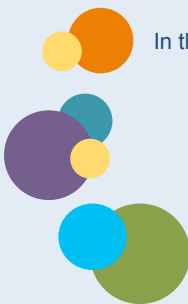
This is developed for T/TA staff to use in training. While the content can be adapted and modified to meet audience needs, trainers should be careful not to alter the core messaging and content.

This resource was developed for the Office of Head Start by the National Center on Program Management and Fiscal Operations in April, 2018. It is for noncommercial use only.



Strengthening Financial Management Systems: Cost Allocation

Learning Objectives



In this presentation participants will:

- Analyze the concept of cost allocation
- Examine cost principles
- Learn how to classify different types of costs
- Review steps to developing a Cost Allocation Plan

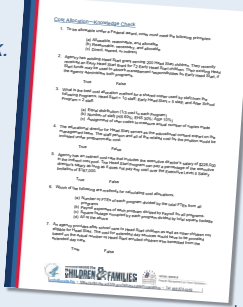
[illegible]

Knowledge Check – Activity

Use the handout *Cost Allocation Knowledge Check*.

Instructions:

- Work independently
- Take five minutes to answer the questions
- Answers will be discussed throughout the session




COST ALLOCATION KNOWLEDGE CHECK

1. The process of assigning a shared cost to two or more cost centers is called:
 - a) Allocation
 - b) Direct cost
 - c) Indirect cost
 - d) None of the above
2. Which of the following is NOT a direct cost?
 - a) Materials
 - b) Labor
 - c) Overhead
 - d) None of the above
3. Which of the following is NOT an indirect cost?
 - a) Rent
 - b) Utilities
 - c) Depreciation
 - d) None of the above
4. Which of the following is NOT a cost center?
 - a) Department
 - b) Division
 - c) Program
 - d) None of the above
5. Which of the following is NOT a cost object?
 - a) Product
 - b) Service
 - c) Department
 - d) None of the above
6. Which of the following is NOT a cost pool?
 - a) Rent
 - b) Utilities
 - c) Depreciation
 - d) None of the above
7. Which of the following is NOT a cost driver?
 - a) Direct cost
 - b) Indirect cost
 - c) Overhead
 - d) None of the above
8. Which of the following is NOT a cost allocation method?
 - a) Direct method
 - b) Indirect method
 - c) Overhead method
 - d) None of the above
9. Which of the following is NOT a cost allocation base?
 - a) Direct cost
 - b) Indirect cost
 - c) Overhead
 - d) None of the above
10. Which of the following is NOT a cost allocation ratio?
 - a) Direct cost
 - b) Indirect cost
 - c) Overhead
 - d) None of the above

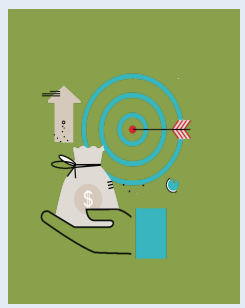
CHILDREN & FAMILIES

What is cost allocation?



The process of assigning the shared cost of an item or service to two or more programs.


Why is cost allocation important?



- Integral part of effective fiscal management
- Supports accurate planning, budgeting, and reporting
- Provides accurate picture of how funds are used (including federal funds and non-federal match)
- Assures funding sources pay fair share of costs based on benefit

When do you need to allocate costs?


Does the agency receive funds from more than one source (federal or non-federal)?



Are the services offered shared between programs?

NATIONAL SYSTEM
Data to Drive
Program Management and Fiscal Operations


What is a cost allocation plan?



The *method* developed by an organization to fairly and equitably allocate shared costs to all of the programs benefitting from those costs.

8

Uniform Guidance and Cost Allocation



Uniform Guidance
45 CFR Part 75:

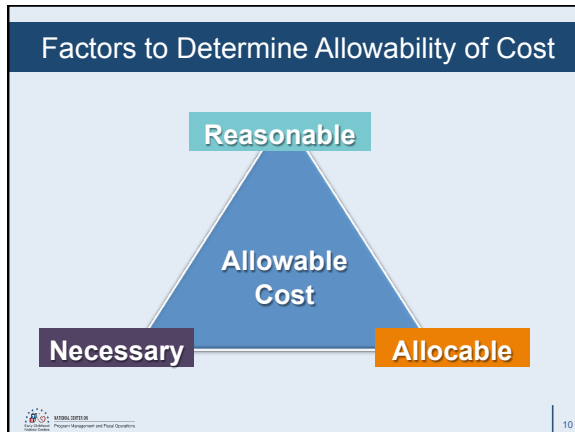
Subpart E Cost
Principles

Appendices III–VII

- Cost Allocations
- Indirect Costs
- Required
Certifications

NATIONAL SYSTEM
Data to Drive
Program Management and Fiscal Operations

9



Basic Cost Principles

Necessary

If a cost is:

- Generally recognized as ordinary and essential for the performance of the award

NATIONAL SYSTEM
Project Management and Procurement
11

Basic Cost Principles

Reasonable

If a cost:

- Is prudent per circumstances
- Reflects sound business practices
- Demonstrates arms-length bargaining
- Is in line with market prices for comparable goods and services
- Is in accordance with established practices


NATIONAL SYSTEM
Project Management and Procurement
12

Basic Cost Principles

Allocable

If a cost:

- Reflects relative benefits received by the program to which it is charged
- Is treated consistently with other costs incurred for the same purpose


NATIONAL DEFENSE
SCIENCE AND ENGINEERING
GRADUATE FELLOWSHIP
PROGRAM

13


Personnel, Facilities, Other Shared Resources & Services

Activity




NATIONAL DEFENSE
SCIENCE AND ENGINEERING
GRADUATE FELLOWSHIP
PROGRAM

14



Classifying Costs


NATIONAL DEFENSE
SCIENCE AND ENGINEERING
GRADUATE FELLOWSHIP
PROGRAM

15

Direct Costs

Direct Costs	Examples
<p>Costs identified specifically with a final cost objective; i.e., a particular award, project, service, or other direct activity of the organization</p>	<ul style="list-style-type: none"> Head Start teacher salary and fringe Early Head Start home visitor salary and fringe Bus to transport only Head Start children Maintenance of a facility used only for Head Start services

NATIONAL SYSTEM OF PUBLIC HEALTH
 Division of Field Operations, Program Management and Policy Operations

Shared Direct Costs

Shared Direct Costs	Examples
<p>Costs which benefit more than one program and can be distributed in reasonable proportion to the benefits received.</p>	<ul style="list-style-type: none"> Salary and fringe benefits of a home visitor who works in Early Head Start and a teen parent program Bus to transport Head Start and public school children Maintenance of a facility used for both Head Start and Early Head Start


NATIONAL SYSTEM OF PUBLIC HEALTH
 Division of Field Operations, Program Management and Policy Operations

Indirect Costs (Facilities and Administration F&A)

Indirect Costs	Examples
<p>Costs incurred for common or joint purpose benefitting more than one cost objective and cannot be readily identifiable with a particular program or award.</p>	<ul style="list-style-type: none"> Facilities—depreciation, interest, operations and maintenance expenses Administration—executive director, associate director, fiscal officer (salaries and fringe benefits and occupancy costs)

NATIONAL SYSTEM OF PUBLIC HEALTH
 Division of Field Operations, Program Management and Policy Operations


Indirect Cost Rate



- Indirect cost rate is a basic ratio or percentage of the relationship between indirect costs to a direct cost base
- Indirect cost rate proposals are prepared and submitted by Grantee
- Indirect cost rates are negotiated and approved through the cognizant federal agency

19

Common Indirect Cost Rate Bases



- Modified Total Direct Cost (MTDC)
- Salaries and Wages (SW)
- Salaries and Wages and Fringe Benefits (SW+FB)

20

Indirect Cost Rate Examples

Administrative Indirect Cost Pool:

Salaries and Wages	\$ 100,000
Fringes	\$ 30,000
Other Administrative costs (facilities, utilities, legal, etc)	\$ 49,000
Total Administrative Costs	\$ 179,000

Direct Cost Base:


Program Salaries and Wages	\$ 500,000
Program Fringes	\$ 125,000
Program Supplies	\$ 75,000
Program facility costs	\$ 200,000
Program one time capital expenditures	\$ 100,000
(back out one time capital expenditures)	\$ (100,000)
Total Modified Direct Program Costs	\$ 900,000

Indirect Rate Calculations:

Rate based on Total Modified Direct Costs	19.9%
Rate based on Direct Salaries/Wages	20.0%
Rate based on Direct Salaries/Wages and Fringes	20.8%

21

Special Circumstances




- 10% “de minimis” rate
- One-time extension of rate

NATIONAL SYSTEM
State to State
Program Management and Fiscal Operations

22

Program or Administrative Costs?



- Costs must be categorized as program or administrative
- This is **separate** from whether costs are direct, shared or indirect
- Indirect costs are part of the 15% administrative cost cap

NATIONAL SYSTEM
State to State
Program Management and Fiscal Operations

23


Examples of Programmatic and Administrative Costs

Program Costs	Administrative Costs
<ul style="list-style-type: none"> • Salary of teen program coordinator • Salary of teaching staff • Space cost for program component coordinators • Center/classroom supplies 	<ul style="list-style-type: none"> • Salary of executive director • Salary of fiscal director • Space cost for administrative staff • Office supplies for support of administrative functions

NATIONAL SYSTEM
State to State
Program Management and Fiscal Operations

24

Administrative Cost Limitation



Costs related to development and administration, including non-federal share, may **not** exceed 15% of total costs.

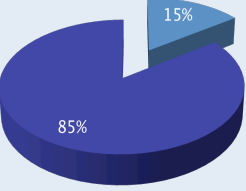
Head Start Act 644(b)

NATIONAL SYSTEM
Program Management and Fiscal Operations

25

Administrative Cost Limitation

Overall Budget (Includes Match)



- Administrative Costs
- Other Costs

Example

Award: \$ 800,000
 Match: \$ 200,000
 Overall Budget: \$1,000,000
 Admin Costs Cannot Exceed \$150,000

NATIONAL SYSTEM
Program Management and Fiscal Operations

26

Executive Level II Cost Limitation

Federal funds may not pay any part of an individual's salary if that salary exceeds **\$187,000**



NATIONAL SYSTEM
Program Management and Fiscal Operations


27



Steps to Developing a Cost Allocation Plan

28


Cost Allocation Plans should be



- Logical and rational
- Straightforward
- Ensure each program is paying its fair share

29


Step 1: Categorize Direct vs. Shared Expenses




- Identify costs that benefit only one program. These don't have to be allocated.
- Identify costs shared between Head Start and other programs. These must be allocated.

30

Step 2: Classify Shared Expenses




- For each shared expense, determine if it is:
 - Shared, but can be easily distributed by benefit
 - Shared, but difficult to assign benefit to a particular program
- Consider if a negotiated indirect cost rate would be beneficial


NATIONAL SYSTEM
OF PUBLIC HEALTH
Department of Health and Human Services
Program Management and Policy Operations


31

Step 3: Categorize by Expense Type




Logically group shared expenses into broad categories, such as:

- Personnel (pay and fringe benefits)
- Facilities (grantee-owned, leased, donated)
- Equipment (especially busses)
- Service contracts (janitorial, maintenance)
- Other shared expenses


NATIONAL SYSTEM
OF PUBLIC HEALTH
Department of Health and Human Services
Program Management and Policy Operations


32

Step 4: Basis for Allocation



Consider how your program operates and how shared expense allocations will vary within categories

- Hours worked, children served, services provided
- Exclusive square footage, common areas
- Number of FTE, computers, telephones, transactions


NATIONAL SYSTEM
OF PUBLIC HEALTH
Department of Health and Human Services
Program Management and Policy Operations

33

Step 5: Create the Plan

#5

- Using the categories, variations and reasonable bases identified, now create the cost allocation plan.
- The more thought put into how the cost allocation plan will function, the easier and more accurate the plan will be.

34

Cost Allocation Scenarios - Activity

35

Bases for Allocating Costs for Shared Staff	
Shared Staff	Bases for Allocation
Head Start director shared between programs	Number of children, or information from time keeping records
Head Start family worker also performs general intake	Actual time spent in each program
Teacher/aides when children are Head Start and non-Head Start in the classroom	Number of children in each program
Associate director	Number of FTE's in each program

36

Bases for Allocating Costs for Shared Facilities	
Shared Facilities	Bases for Allocation
Classroom has Head Start and Pre-K	Number of children in each program
Center has Head Start and Early Head Start classrooms	Square footage occupied by each program
Classroom with Head Start and extended day services treated as two separate programs	Same square foot, so could be allocated based on child hours and number of children in each program
Office space in a central office, occupied by Head Start community services, weatherization, other state grants	Square footage occupied by each program to determine shared cost


NATIONAL SYSTEM
 of Public Management and Policy Studies

37

Bases for Allocating Costs for Other Shared Resources & Services	
Shared Resources & Services	Bases for Allocation
Information technology services shared between Head Start, Early Head Start, community services, other state grants	Number of computers, printers, etc. operated by each program
Training – Pre-service training is shared between Head Start and Early Head Start	Number of staff attending from each program (FTE's)
Telephone cost	Number of phones used by each program
Classroom supplies with multiple programs	Number of children in each program


NATIONAL SYSTEM
 of Public Management and Policy Studies

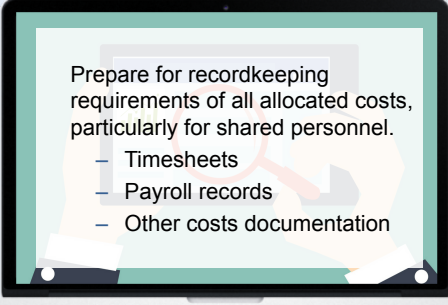
38



Cost Allocation Guidance

39

Guidance: Recordkeeping




Prepare for recordkeeping requirements of all allocated costs, particularly for shared personnel.

- Timesheets
- Payroll records
- Other costs documentation

NATIONAL SYSTEM
Project Management and Fiscal Operations

40

Guidance: Reporting




- Allocated expenses should be budgeted, tracked, and compared to projections on a monthly basis.
- Expenses and comparisons should be included in monthly reporting to governing bodies.

NATIONAL SYSTEM
Project Management and Fiscal Operations

41

Guidance: Reviewing



A cost allocation plan should reflect how services are provided and should be updated annually or more often if needed.

NATIONAL SYSTEM
Project Management and Fiscal Operations

42

Cost Allocation Scenarios

Example 1 - Expense Amount \$5,000

Cost that benefits three specific programs:
Head Start (225 children), Early HS (72 children) and After School Program (90 children)
Allocation method:
Ratio of number of children in each benefiting program to total number of children in all benefiting programs.

Grant/Program	Number of Children	% Allocation	Allocation Amount
Head Start			
Early Head Start			
After School Program			
Weatherization Program			
Senior Meals-On-Wheels			
Administrative Dept			
Total		100%	\$ 5,000

What cost might this represent? When would you use it?

Cost Allocation Scenarios

Example 1 Answer

Grant/Program	Number of Children	% Allocation	Allocation Amount
Head Start	225	58%	\$ 2,907
Early Head Start	72	19%	\$ 930
After School Program	90	23%	\$ 1,163
Weatherization Program	-		
Senior Meals-On-Wheels			
Administrative Dept	-		
Total	387	100%	\$ 5,000

Cost Allocation Scenarios

Example 2 – Expense Amount \$28,000

Costs that benefit two or more programs.
Classroom provides Head Start services 6 hours each day.
In addition, provides 1 hour before and 1 hour after school services.
Allocation method:
Ratio of each benefiting program's hours of service to total hours of service.

Grant/Program	Hours of Service Per Day	% Allocation	Allocation Amount
Head Start			
Early Head Start			
After School Program			
Weatherization Program			
Senior Meals-On-Wheels			
Administrative Dept			
Total			\$ 28,000

What cost might this represent? When would you use it?

Cost Allocation Scenarios

Example 2 Answer

Grant/Program	Hours of Service Per Day	% Allocation	Allocation Amount
Head Start	6	75%	\$ 21,000
Early Head Start			
After School Program	2	25%	\$ 7,000
Weatherization Program			
Senior Meals-On-Wheels			
Administrative Department			
Total	8	100%	\$ 28,000

STANLEY SYSTEMS
Grant Management and Fiscal Operations

46

Cost Allocation Scenarios

Example 3 – Expense Amount \$4,000

Cost that benefits everyone in the organization:

Allocation method:

Ratio of each benefiting program's FTE to total of all benefiting programs FTE.

Grant/Program	FTE	% Allocation	Allocation Amount
Head Start	30		
Early Head Start	6		
After School Program	8		
Weatherization Program	3		
Senior Meals-On-Wheels	2		
Administrative Dept	5		
Total	54	100%	\$ 4,000

What cost might this represent? When would you use it?

STANLEY SYSTEMS
Grant Management and Fiscal Operations

47

Cost Allocation Scenarios

Example 3 Answer

Grant/Program	FTE	% Allocation	Allocation Amount
Head Start	30	56%	\$ 2,222
Early Head Start	6	11%	\$ 444
After School Program	8	15%	\$ 593
Weatherization Program	3	6%	\$ 222
Senior Meals-On-Wheels	2	4%	\$ 148
Administrative Dept	5	9%	\$ 370
Total	54	100%	\$ 4,000

STANLEY SYSTEMS
Grant Management and Fiscal Operations

48

Cost Allocation Scenarios

Example 4 – Expense Amount \$10,000

Cost that benefits all programs.
Allocation method:
Facilities costs are allocated based on square footage. Square footage for each program and admin departments are included in the analysis.
Step 1: Allocate expense to all programs and depts based on square footage.
Step 2: Further allocate admin dept portion of costs to each program.

Grant/ Program	Square Feet	Step 1		Step 2		Total Amount Allocated
		% Allocation	Amount Allocation	% Allocation	Allocation of Admin Dept	
Head Start	300	30%	\$ 3,000	33%	\$ 333	\$ 3,333
Early Head Start	100					
After School Program	200					
Weatherization Program	200					
Senior Meals-On-Wheels	100					
Administrative Dept	100					
Total	1,000	100%	\$ 10,000			\$ 10,000

49

Cost Allocation Scenarios

Example 4 Answer

Grant/ Program	Square Feet	% Allocation	Amount Allocation	% Allocation of Admin	Allocation of Admin Dept	Total Amount Allocation
Head Start	300	30%	\$ 3,000	33%	\$ 333	\$ 3,333
Early Head Start	100	10%	\$ 1,000	11%	\$ 111	\$ 1,111
After School Program	200	20%	\$ 2,000	22%	\$ 222	\$ 2,222
Weatherization Program	200	20%	\$ 2,000	22%	\$ 222	\$ 2,222
Senior Meals-On-Wheels	100	10%	\$ 1,000	11%	\$ 111	\$ 1,111
Administrative Dept	100	10%	\$ 1,000		\$ (1,000)	\$ -
Total	1,000	100%	\$ 10,000	100%	\$ -	\$ 10,000


50


Questions?


51





Contact PMFO

 pmfo@ecetta.info

 <https://eclkc.ohs.acf.hhs.gov/hslc/tta-system/operations>

 Call us: 888.874.5469

 **ADMINISTRATION FOR CHILDREN & FAMILIES**

 **NATIONAL CENTER ON**
Early Childhood National Centers
Program Management and Fiscal Operations

Cost Allocation—Knowledge Check

1. To be allowable under a federal award, costs must meet the following principles:
 - (a) Allowable, reasonable, and allocable
 - (b) Reasonable, necessary, and allocable
 - (c) Direct, shared, or indirect
2. Agency has existing Head Start grant serving 200 Head Start children. They recently received an Early Head Start grant for 72 Early Head Start children. Their existing Head Start funds may be used to absorb management responsibilities for Early Head Start, if the agency administers both programs.

True False
3. What is the best cost allocation method for a shared copier used by staff from the following programs: Head Start = 10 staff; Early Head Start = 5 staff; and After School Program = 2 staff.
 - (a) Equal distribution (1/3 cost to each program)
 - (b) Number of staff (Head Start 60%; EHS 30%; ASP 10%)
 - (c) Assignment of user codes to measure actual number of copies made
4. The educational director for Head Start serves as the educational content expert on the management team. The staff person and all of the related cost for the position would be included under programmatic cost.

True False
5. Agency has an indirect cost rate that includes the executive director's salary of \$226,000 in the indirect cost pool. The Head Start program can pay a percentage of the executive director's salary as long as it does not pay any cost over the Executive Level II Salary limitation of \$187,000.

True False
6. Which of the following are methods for calculating cost allocations:
 - (a) Number of FTEs of each program divided by the total FTEs from all programs
 - (b) Payroll expenses of each program divided by payroll for all programs.
 - (c) Square footage occupied by each program divided by total square footage
 - (d) All of the above
7. An agency provides after school care to Head Start children as well as other children not eligible for Head Start. The cost for extended day services would have to be prorated based on the actual number of Head Start enrolled children who benefited from the extended day care.

True False



ADMINISTRATION FOR
CHILDREN & FAMILIES



NATIONAL CENTER ON
Program Management and Fiscal Operations

Cost Allocation—Knowledge Check (ANSWER Sheet) **Answers in red**

1. To be allowable under a federal award, costs must meet the following principles:
 - (a) Allowable, reasonable, and allocable
 - (b) Reasonable, necessary, and allocable**
 - (c) Direct, shared, or indirect
2. Agency has existing Head Start grant serving 200 Head Start children. They recently received an Early Head Start grant for 72 Early Head Start children. Their existing Head Start funds may be used to absorb management responsibilities for Early Head Start, if the agency administers both programs.

True **False**
3. What is the best cost allocation method for a shared copier used by staff from the following programs: Head Start = 10 staff; Early Head Start = 5 staff; and After School Program = 2 staff.
 - (a) Equal distribution (1/3 cost to each program)
 - (b) Number of staff (Head Start 60%; EHS 30%; ASP 10%)
 - (c) Assignment of user codes to measure actual number of copies made**
4. The educational director for Head Start serves as the educational content expert on the management team. The staff person and all of the related cost for the position would be included under programmatic cost.

True False
5. Agency has an indirect cost rate that includes the executive director's salary of \$226,000 in the indirect cost pool. The Head Start program can pay a percentage of the executive director's salary as long as it does not pay any cost over the Executive Level II Salary limitation of \$187,000.

True **False**
6. Which of the following are methods for calculating cost allocations:
 - (a) Number of FTEs of each program divided by the total FTEs from all programs
 - (b) Payroll expenses of each program divided by payroll for all programs.
 - (c) Square footage occupied by each program divided by total square footage
 - (d) All of the above**
7. An agency provides after school care to Head Start children as well as other children not eligible for Head Start. The cost for extended day services would have to be prorated based on the actual number of Head Start enrolled children who benefited from the extended day care.

True False



ADMINISTRATION FOR
CHILDREN & FAMILIES



NATIONAL CENTER ON
Program Management and Fiscal Operations

Cost Allocation Scenarios

Example 1: Expense Amount = \$5,000

Costs that benefit three specific programs:

- Head Start = 225 children
- Early Head Start = 72 children
- After School Program = 90 children

Allocation method:

Ratio of children in each benefiting program to total number of children in all benefiting programs.

Grant/Program	# of Children	% Allocation	Allocation Amount
Head Start			
Early Head Start			
After School Program			
Weatherization Program			
Senior Meals-On-Wheels			
Administrative Department			
Total			\$5,000

What cost might this represent?

When would you use it?



Example 2: Expense Amount = \$28,000

Costs that benefit two or more programs.

Classroom provides Head Start services 6 hours each day.

In addition, the classroom is used two additional hours per day for the after-school program.

Allocation method:

Ratio of each benefiting program's hours of service to total hours of service.

Grant/Program	Hours of Service Per Day	% Allocation	Allocation Amount
Head Start			
Early Head Start			
After School Program			
Weatherization Program			
Senior Meals-On-Wheels			
Administrative Department			
Total			\$28,000

What cost might this represent?

When would you use it?



Example 3: Expense Amount = \$4,000

Costs that benefit everyone in the organization.

Allocation method:

Ratio of each benefiting program's FTE to total of all benefiting programs FTE.

Grant/Program	FTE	% Allocation	Allocation Amount
Head Start	30		
Early Head Start	6		
After School Program	8		
Weatherization Program	3		
Senior Meals-On-Wheels	2		
Administrative Department	5		
Total	54	100%	\$4,000

What cost might this represent?

When would you use it?



Example 4: Expense Amount = \$10,000

Costs that benefit all programs.

Allocation method:

Facilities costs are allocated based on square footage. Square footage for each program and administrative departments are included in the analysis.

Step 1: Allocate expense to all programs and departments based on square footage.

Step 2: Further allocate admin department portion of costs to each program.

Grant/Program	Square Feet	% Allocation	Amount Allocation	% Amount Allocation	Allocation of Admin Dept.	Total Amount Allocated
Head Start	300					
Early Head Start	100					
After School Program	200					
Weatherization Program	200					
Senior Meals-On-Wheels	100					
Administrative Department	100					
Total	1,000	100%	\$10,000			\$10,000

What cost might this represent?

When would you use it?



Cost Allocation Scenarios

Example 1: Expense Amount = \$5,000

Costs that benefit three specific programs:

- Head Start = 225 children
- Early Head Start = 72 children
- After School Program = 90 children

Allocation method:

Ratio of children in each benefiting program to total number of children in all benefiting programs.

Grant/Program	# of Children	% Allocation	Allocation Amount
Head Start	225	58%	\$2,907
Early Head Start	72	19%	\$930
After School Program	90	23%	\$1,163
Weatherization Program			
Senior Meals-On-Wheels			
Administrative Department			
Total	387	100%	\$5,000

What cost might this represent?

When would you use it?



Example 2: Expense Amount = \$28,000

Costs that benefit two or more programs.

Classroom provides Head Start services 6 hours each day.

In addition, the classroom is used two additional hours per day for the after-school program.

Allocation method:

Ratio of each benefiting program's hours of service to total hours of service.

Grant/Program	Hours of Service Per Day	% Allocation	Allocation Amount
Head Start	6	75%	\$21,000
Early Head Start			
After School Program	2	25%	\$7,000
Weatherization Program			
Senior Meals-On-Wheels			
Administrative Department			
Total	8	100%	\$28,000

What cost might this represent?

When would you use it?



Example 3: Expense Amount = \$4,000

Costs that benefit everyone in the organization:

Allocation method:

Ratio of each benefiting program's FTE to total of all benefiting programs FTE.

Grant/Program	FTE	% Allocation	Allocation Amount
Head Start	30	56%	\$2,222
Early Head Start	6	11%	\$444
After School Program	8	15%	\$593
Weatherization Program	3	6%	\$222
Senior Meals-On-Wheels	2	4%	\$148
Administrative Department	5	9%	\$370
Total	54	100%	\$4,000

What cost might this represent?

When would you use it?

Example 4: Expense Amount = \$10,000

Costs that benefit all programs.

Allocation method:

Facilities costs are allocated based on square footage. Square footage for each program and administrative departments are included in the analysis.

Step 1: Allocate expense to all programs and departments based on square footage.

Step 2: Further allocate admin department portion of costs to each program.

Grant/Program	Square Feet	% Allocation	Amount Allocation	% Amount Allocation	Allocation of Admin Dept	Total Amount Allocated
Head Start	300	30%	\$3,000	33%	\$333	\$3,333
Early Head Start	100	10%	\$1,000	11%	\$111	\$1,111
After School Program	200	20%	\$2,000	22%	\$222	\$2,222
Weatherization Program	200	20%	\$2,000	22%	\$222	\$2,222
Senior Meals-On-Wheels	100	10%	\$1,000	11%	\$111	\$1,111
Administrative Department	100	10%	\$1,000		\$(1,000)	—
Total	1,000	100%	\$10,000	100%		\$10,000

What cost might this represent?

When would you use it?