

Section 4

Cost Allocation

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SPECIAL REQUIREMENTS REGARDING COST ALLOCATION

Requirement #4-A: *An organization must account for three cost categories: direct costs; administrative costs; and allocable-direct costs. Direct costs are those costs that can be identified to benefit a specific activity. Administrative costs are costs that benefit the operations of the entire agency, but cannot be identified to specific activities. Allocable-direct costs are costs which benefit more than one activity. (F&A Policy 03)*

Requirement #4-B: *Allocable-direct and administrative costs must be allocated to a particular cost objective, such as a grant, project, service, function, or other activity, in accordance with the relative benefits received. A cost is allocable to a grant (a) if it is treated consistently with other costs incurred for the same purpose in like circumstances and (b) if it is necessary to the overall operation of the organization. (Reference OMB Circular A-122, Attachment A, Paragraph A.4.)*

Requirement #4-C: *Administrative costs must be accumulated in an administrative cost pool and reported in a separate line item in reports to State grantors. (F&A Policy 03)*

Requirement #4-D: *The organization must have (a) established cost allocation policies and (b) a well documented cost, organization-wide allocation methodology that is accepted by your independent auditors and, if applicable, approved by your cognizant government funding agency.*

Requirement #4-E: *An organization must also prepare a narrative cost allocation plan describing in detail the methods used to allocate costs to various activities, including an organizational chart and documents and schedules to support the allocation methods. The plan must be approved by the organization’s Cognizant State Agency. (F&A Policy 03)*

TERMINOLOGY AND DEFINITIONS

The terminology and definitions used in this section apply to these requirements and are consistent with F&A Policy 03, OMB *Circular A-122*, IRS Form 990, FASB Statement No. 117, AICPA Audit and Accounting Guide: *Not-for-Profit Organizations* (1996).

Cost accounting consists of **accumulation** of costs by their natural expense classification and **distribution** of these costs to cost objectives. **Cost distribution** consists of **direct assignment** of direct costs to specific cost objectives and, when direct assignment is not possible, **allocation** of allocable costs to multiple cost objectives on some basis. This section is about **cost distribution** in general and **cost allocation** in particular.

Cost Accumulation

Before costs are distributed to cost objectives, they are **accumulated** by line-item expense categories (also referred to as “natural expense classifications” and “object expense categories”). Some examples of line-item expenses are salaries, occupancy, telephone, postage and shipping, printing and duplication, and supplies (refer to line item expense categories in the chart of accounts in Section 3). Costs are assigned directly to specific line items. Cost objectives are not involved and cost “allocation” per se is not involved in the assignment of expenses to various line items or natural expense classifications.

Cost Distribution

Cost distribution in not-for-profit organizations is the distribution of line-item costs such as salaries and supplies to **cost objectives** such as regions, organizations, functions, departments, programs, grants, projects, contracts, cost centers, services, and activities. A **cost objective** is any activity for which a separate measure of costs is desired. With activity accounting, all line item costs are distributed to activity-level cost objectives. Activities are assigned to various summary-level cost objectives such as those listed above and costs for summary-level cost objectives are determined by aggregating the costs of the activities assigned to the cost objectives.

Three types of costs are distributed to **four classes of activities** (cost objectives).

There are four general classes of activities (cost objectives):

1. program services (including grants),
2. fundraising,
3. organizational administration (M&G), and
4. central service departments.

There are three types of costs:

1. direct costs
2. allocable-direct costs:
 - 2a. allocable-direct costs by line item
 - (1) employee leave costs
 - (2) employee fringe benefit costs
 - (3) other allocable-direct costs by line item
 - 2b. allocable-direct costs by central service department
3. organizational administrative (M&G) costs.

Direct costs are distributed or assigned directly to only one of the cost objectives, and cost allocation is not involved.

Note that organizational administration and central service departments are both cost objectives and types of costs. In other words, they are classes of cost objectives that, when appropriate, become types of costs that can be allocated to other cost objectives such as program services, grants, or fundraising. (Refer to Example 4-A in this section.)

Cost Objectives

OMB *Circular A-122* provides the following definition for “cost objectives.” “Cost objective means a function, organizational subdivision, contract, grant, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs and capitalized projects.” (Attachment A, paragraph E.1.g.)

Cost Distribution Table

Example 4a

Three Types of Costs
Distributed to Four Classes
of Activities (Cost Objectives)

	FOUR CLASSES OF ACTIVITIES (COST OBJECTIVES)				Total	
	Program Department(s) (grants, functions, services)	Fundraising Department(s)	Administrative/ Management & General Department(s)	Central Service Department(s)		
1. Direct costs (e.g., salaries, printing, travel)	\$ 400 66.7% 72.7% 80.0%	\$ 100 16.7% 18.2% 20.0%	\$ 50 8.3% 9.1%	\$ 50 8.3%	\$ 600 100.0% 100.0% 100.0%	<input type="checkbox"/> Direct costs as % of total <input type="checkbox"/> % less service department <input type="checkbox"/> % less service dept. & M&G
2. Allocable-direct costs:						
2a. Line item common cost pools (up to 50, e.g., occupancy)	333	83	42	42	500	<input type="checkbox"/> Direct costs as % of total
Subtotal	\$ 733	\$ 183	\$ 92	\$ 92	\$ 1,100	
2b. Service department cost pool(s) (e.g., MIS)	67	17	8	(92)	-	<input type="checkbox"/> % less service department
Subtotal	\$ 800	\$ 200	\$ 100	\$ -	\$ 1,100	
3. Administrative costs (M&G)	80	20	(100) (*)		-	<input type="checkbox"/> % less service dept. & M&G
Total	\$ 880	\$ 220	\$ - (*)		\$ 1,100	
Reporting requirements cross-referenced to the four classes of activities:						
OMB A-87 & A-122, Policy 03	Grants & services	Not allowed	Administrative	Allocated & ICR(**)		
GAAP	Program(s)	Fundraising	M&G	Allocated		
Form 990 & charities registration	Program(s)	Fundraising	M&G	Allocated		
Internal management	Department(s)	Department(s)	Department(s)	Department(s)		

*In GAAP reporting, administrative/mgt. & general expenses are not allocated to other functions. However, such expenses are usually allocated for purposes of reimbursement under government grants & contracts.

**The types of costs used for indirect cost rates (ICRs) can include (a) administrative costs (M&G) only, (b) administrative costs (M&G) plus portions of allocable-direct costs in any combination, and (c) administrative costs (M&G) plus all allocable-direct costs.

FASB describes quite well three of the four classes of cost objectives: management and general (M&G), program, and fundraising. In GAAP reporting, these cost objectives are referred to as functions and functional expense classifications. From FASB Statement No. 117:

Information about an Organization’s Service Efforts

- 26. To help donors [including federal, state, and local government agencies], creditors, and others in assessing an organization’s service efforts, including the costs of its services and how it uses resources, a statement of activities or notes to financial statements shall provide information about expenses reported by their functional classification such as major classes of program services and supporting activities. Voluntary health and welfare organizations shall report that information as well as information by their natural classification, such as salaries, rent, electricity, interest expense, depreciation, awards and grants to others, and professional fees, in a matrix format in a separate financial statement. Other not-for-profit organizations are encouraged, but not required, to provide information about expenses by their natural classification.

- 27. Program services are the activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the organization exists. Those services are the major purpose for and the major output of the organization and often relate to several major programs. For example, a large university may have programs for student instruction, research, and patient care, among others. Similarly, a health and welfare organization may have programs for health or family services, research, disaster relief, and public education, among others.

- 28. Supporting services are all activities of a not-for-profit organization other than program services. Generally, they include management and general, fund-raising, and membership-development activities. Management and general activities include oversight, business management, general recordkeeping, budgeting, financing, and related administrative activities, and all management and administration except for direct conduct of program services or fund-raising activities. Fund-raising activities include publicizing and conducting fund-raising campaigns; maintaining donor mailing lists; conducting special fund-raising events; preparing and distributing fund-raising manuals, instructions, and other materials; and conducting other activities involved with soliciting

contributions from individuals, foundations, government agencies, and others. Membership-development activities include soliciting for prospective members and membership dues, membership relations, and similar activities.

Types of Costs Distributed to Cost Objectives

The Tennessee Department of Finance and Administration's Policy 03 for subrecipients defines the three types of costs that are distributed to cost objectives.

Definition of Costs - An agency will incur basically three kinds of costs: direct, administrative, and allocable-direct . . . *Direct costs* are those costs that can be identified to benefit a specific program. . . . *Administrative costs* are costs that benefit the operations of the entire agency, but cannot be identified to specific programs. . . . *Allocable-direct costs* are simply costs which benefit more than one program, but do not fall under the criteria of administrative costs. [This is **Requirement #4-A.**]

This manual uses the terms **direct costs**, **administrative (M&G) costs**, and **allocable-direct costs**, and intend that they have the same meaning as the corresponding terms in Policy 03.

OMB *Circular A-122* has three basic categories of costs and meanings: (1) direct costs; (2) common, joint (allocable-direct) costs; and (3) general administrative costs.

AICPA's Audit and Accounting Guide: *Not-for-Profit Organizations* (GAAP) also has the same three categories of costs and meanings: (1) expenses that are related to a single function and should be assigned to that function; (2) expenses that are related to more than one function and should be allocated to the appropriate functions; and (3) expenses related to supporting services such as management and general (M&G) expenses (refer to paragraph 13.42 of AAG-NPO).

In GAAP reporting, management and general expenses are not allocated to other functions while such expenses are usually allocated to other functions for purposes of reimbursement under government grants and contracts and in determining the full costs of all program service and fundraising activities.

Policy 03's three types of costs are consistent with those of OMB and GAAP, although there are some differences in terminology.

1. Direct Costs

Direct costs are costs that can be identified specifically and exclusively with one, single activity or cost objective. **Direct costs** are assigned directly to the single activity. Cost allocation is not involved. **Direct costs** are usually assigned to their respective single activities at the same time they are accumulated for, and assigned to their line-item expense categories.

OMB *Circular A-122*, Attachment A, defines direct costs as follows:

B. Direct Costs

1. Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Costs identified specifically with awards are direct costs of the awards and are to be assigned directly thereto. Costs identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.
2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for that item of cost is consistently applied to all cost objectives.

Often an itemized purchase will involve several different categories of line-item expense. For example, an invoice from an outside copying service could include duplicating fees and charges for a supply of copy paper for internal use. Duplicating fees are charged to printing and duplicating while copy paper costs are charged to supplies. In such a situation, you divide the expense transaction into separate transactions for each category of line-item expense and make appropriate direct cost entries in your accounting records. This is a distribution of **direct costs** expenses among line items and is not cost allocation.

2. Allocable-Direct Costs

Allocable-direct costs are also referred to as common costs, joint costs, and shared costs. **Allocable-direct costs** are costs that benefit more than one activity.

Note that **allocable-direct costs** are only part of *allocable costs* which consist of **allocable-direct costs** plus **administrative (M&G) costs**. Further, administrative (M&G) costs are not allocated to the fund-raising and various program functions for GAAP and IRS Form 990 reporting.

Allocable-direct costs are accumulated in interim cost pools. The cost pools can be allocated to various activities or cost objectives (a) permanently when the general ledger is updated at the end of each month or (b) provisionally on a monthly basis for reporting purposes only and permanently when the general ledger is updated at the end of the year and the year-to-date cost pools are closed. If the year-to-date alternative is not employed, it may be necessary to review the monthly allocations to ensure that there has been an equitable distribution of costs among activities for the year.

Requirement #4-B: *Allocable-direct and administrative costs must be allocated to a particular cost objective, such as a grant, project, service, function, or other activity, in accordance with the relative benefits received. A cost is allocable to a grant (a) if it is treated consistently with other costs incurred for the same purpose in like circumstances and (b) if it is necessary to the overall operation of the organization.* (Refer to OMB Circular A-122, Attachment A, Paragraph A.4.)

The use of cumulative, year-to-date cost pools for all of an organization’s allocable direct costs would comply with this requirement. The use of cumulative, year-to-date cost pools can result in fairer and more consistent allocations. For example, vacation salaries and various insurance coverage are more fairly allocated on the basis of a full year rather than on the basis of one month. The use of cumulative cost pools can also reduce the accounting and reporting burden for smaller organizations. Cost pools can be used for expenses for leave or other out-of-service salary, employee benefits, employer’s payroll taxes, occupancy, some categories of supplies, and other categories of object expense.

Allocable-direct costs can be further classified as either (a) allocable-direct costs by line item or (b) allocable-direct costs by central service department.

a. **Line Item Allocable-Direct Cost Pools**

- (1) employee leave cost pool
- (2) employee fringe benefit cost pool
- (3) other line item allocable-direct cost pool

Line item allocable-direct cost pools are established by specifying a single activity code that creates a separate cost pool account for employee leave, employee fringe benefits, and any other line item that can incur allocable-direct costs. The account number for any line item expense category, together with the cost-pool activity code, are the cost pool account for that line item. There are nearly 50 line-item expense categories in the illustrative chart of accounts, and most of them can have allocable-direct costs to be recorded in their respective line-item allocable-direct cost pool accounts (refer to the illustrative chart of accounts in Section 3).

While individual line-item allocable-direct cost pools require the use of an activity code, this activity code does not represent a cost objective. Rather, line-item cost pools contain accumulations of costs that are allocated to other activity codes that are related to various cost objectives. The allocation step must be done before most internal, and all external reports can be prepared (refer to Step 7 in Section 2).

Line-item cost pools may be allocated (a) line-by-line to activities on a single basis for all line items, (b) on bases that vary from one line item to another or (c) as a summary allocable-direct cost line-item account on a single basis. Examples of single bases are direct-staff salaries, direct-staff hours, total direct costs, or modified total direct costs.

Cost pools are allocated in the following sequence: (1) employee leave cost pool, (2) employee fringe benefit cost pool, (3) all other line-item allocable-direct cost pools, (4) service department cost pools, and, last, (5) the administrative (M&G) cost pool.

b. **Service Department Cost Pools**

As noted earlier, **service department cost pools** are both a type of cost and one of the classes of cost objectives.

Service department cost pools are established by specifying separate activity codes for each service department. Examples of service departments are printing and duplicating, data processing or management information systems (MIS), mailing and shipping, and storage.

A central service department can incur costs related to any line-item expense category. **Service department cost pools** are allocated their pro rata share of the various line-item cost pools. **Service department cost pools** are then allocated to the other activities or cost objectives on one or more bases.

While larger organizations can have several central service departments, mid-sized organizations will generally have only one or two central services, if any. Smaller organizations will usually not have any.

While **service department cost pools** require the use of an activity code, this activity code does not represent the final cost objective for most reporting requirements. **Service department cost pools** are generally allocated to activities related to various other cost objectives. Of course, for many of the reports for the service department manager, top management, the budgeting process, and the board of directors, the service department cost pool is itself a cost objective.

Service department cost pools are allocated (a) line-by-line to activities on a single basis for all line items or on bases that vary from one line item to another or (b) as a total service department cost line-item account on a single basis. Examples of single bases are direct-staff salaries or direct-staff hours.

3. **Administrative/Management & General (M&G) Costs**

As noted earlier, **administrative (M&G) costs** are both a type of cost and one of the classes of cost objective.

Administrative (M&G) costs are costs that are incurred in organizing and operating the organization itself, that benefit the agency or organization as a whole, and that cannot be identified with specific programs or the fund-raising function. They are reported in IRS Form 990, Part II, Column C, “Management and General” and as “Management and General” in GAAP statements of functional expenses.

Requirement #4-C: Administrative costs must be accumulated in an administrative cost pool and reported in a separate line item in reports to State grantors. (F&A Policy 03)

The use, as the organization’s administrative cost pool, of the management and general (M&G) function that is required by FASB Statement No. 117 and by IRS Form 990, would comply with **Requirement #4-C**. Making administrative costs equivalent to M&G can result in greater consistency and reliability, less burdensome accounting, and simplification of the audit process

IRS Form 990 defines Management and General as follows:

Use column (C) to report the organization’s expenses for overall function and management, rather than for its direct conduct of fundraising activities or program services. Overall management usually includes the salaries and expenses of the chief officer of the organization and that officer’s staff. If part of their time is spent directly supervising program services and fundraising activities, their salaries and expenses should be allocated among those functions.

Other expenses to report in column (C) include those for meetings of the board of directors or similar group; committee and staff meetings (unless held in connection with specific program services or fundraising activities); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, personnel, and other centralized services; preparation, publication, and distribution of an annual report; and investment expenses. . . .

You should report only general expenses in column (C). Do not use this column to report costs of special meetings or other activities that relate to fundraising or specific program services.

The AICPA Audit and Accounting Guide, *Not-for-Profit Organizations* also provides for allocation of executive salaries and expenses to program services and fundraising. The *Audit Guide* states:

The costs of oversight and management usually include the salaries and expenses of the governing board, the chief executive officer of

the organization, and the supporting staff. (If such staff spend a portion of their time directly supervising program services or categories of other supporting services, however, their salaries and expenses should be allocated among those functions.) (paragraph AAG-NPO 13.29)

An organization must have a reliable, properly structured staff time recording system in order to be able to allocate a portion of the salaries of the chief officer and supporting staff to functions other than management and general. Staff time recordkeeping is described in some detail in this section.

Classifying Administrative Activities

When classifying *administrative* activities, it is important to distinguish between staff time and expenses spent on the administrative activities of the organization and staff time and expenses spent on administrative activities related to various programs, grants, or fund-raising functions. Administrative activities related to programs, grants, or fundraising can be directly identified with those cost objectives, and related costs should be allocated accordingly.

Below is a table drawing the comparison of activities between organizational administration (M&G) and program administration.

<u>Organizational Administration (M&G)</u>	<u>Program Administration*</u>
Organizational management & coordination	Program management & coordination
Organizational planning & evaluation	Program planning & evaluation
Organizational budgeting	Program budgeting
Central purchasing of organization-related supplies	Purchases made by a program department for program-related supplies
A central switchboard activity	A program department answering service
Organizational personnel activities	Program staff hiring, firing, performance reviews, etc.

*This same comparison can be applied to administrative activities related to management of grants, fundraising, and central service departments.

REQUIREMENTS FOR COST ALLOCATION

Cost allocation is problematical for all nonprofits and can be especially burdensome for smaller organizations. Yet, as outlined below, reliable methods of cost allocations are requirements for government grant reports (OMB *Circular A-122*), reports on donor-restricted

grants and contributions, and statements of functional expenses on IRS Form 990 (Part II) and in GAAP reports (FASB Statement No. 117). And, such cost allocation methods are expected to be used consistently among all reporting requirements.

Requirement #1-B (from Section 1): *The organization must use the same policies, procedures, and methods for all accounting, including cost allocation, and for all financial reporting, including grant reporting to State funding agencies, annual reporting to the Tennessee Secretary of State, Division of Charitable Solicitations (including IRS Form 990), and general purpose financial reporting.*

The comments and accounting procedures and methods in this section are consistent with **Requirement #1-B.**

The GAAP Requirement for Cost Allocation

As noted earlier in this section, FASB Statement No. 117 requires health and welfare organizations to provide a statement of functional expenses and encourages other not-for-profit organizations to do so (refer to illustrative statement of functional expenses in Section 8). While cost allocation is required in order to account for and prepare such a statement, FASB Statement No. 117 does not address cost allocation. It does reference current AICPA requirements and alludes to the IRS Form 990. FASB Statement No. 117 states:

63. The Board indicated in the Exposure Draft that it believes that current specialized accounting and reporting principles and practices that require certain organizations to provide information about their expenses by both functional and natural classifications are not inconsistent with the requirements of this statement. *Thus, those specialized requirements continue in effect.* It also noted that not-for-profit organizations often provide that information in regulatory filings to the Internal Revenue Service and certain *state agencies*, which are available to the public (emphasis added).

According to the AICPA Audit and Accounting Guide: *Not-for-Profit Organizations*:

Classification of Expenses Related to More Than One Function* (AAG-NPO 13.42 to 13.46)

13.42 Some expenses are directly related to, and can be assigned to, a single major program or service or a single supporting activity. Other expenses relate to more than one program or supporting activity, or to a combination of programs and supporting services [i.e., allocable-direct costs]. These expenses should be allocated among the appropriate functions. Examples include salaries of persons who perform more than one kind of service and the rental of a building used for various programs and supporting activities.

13.43 Direct identification of specific expense (also referred to as *assigning* expenses) is the preferable method of charging expenses to various functions. If an expense can be specifically identified with a program or supporting service, it should be assigned to that function. For example, travel costs incurred in connection with a program activity should be assigned to that program.

[Refer to page 4-19 in this section for paragraphs AAG-NPO 13.44 to 13.46, also refer to page 4-11 for related paragraph AAG-NPO 13.29]

*(Note that the use of the term “function” can be expanded to include department, grant, project, cost center, activity, or cost objective.)

Footnote #12 for paragraph AAG-NPO 13.44 of AICPA Audit and Accounting Guide: *Not-for-Profit Organizations* states: “The guidance found in U.S. Office of Management and Budget *Circular A-122* may also be helpful in allocating costs.”

The IRS and State Regulatory Requirements for Cost Allocation

The IRS Form 990 required by IRS and state charity registration offices across the country also requires cost allocation for preparing Part II, statement of functional expenses. IRS Form 990 instructions for Part II are as follows:

In Part II, the organization’s expenses are designated by object classification (e.g., salaries, legal fees, supplies, etc.) and *allocated* into 3 functions: program services (column (B)); management and general (column (C)); and fundraising (column (D)) . . .

. . . Use the organization’s normal accounting method to report total expenses in column (A) and to segregate them into functions under columns (B), (C), and (D). . . . [i.e., GAAP functional expense allocation methods are acceptable for IRS Form 990.]

The amounts reported should be accurate and the method of allocation documented in the organization’s records.

Report, in the appropriate column, expenses that are directly attributable to a particular functional category. In general, allocate expenses that relate to more than one functional category. For example, allocated employees’ salaries on the basis of each employee’s time. For some shared expenses such as occupancy, supplies, and depreciation of office equipment, use an appropriate basis for each kind of cost. However, you should report some other

shared expenses in column (C) only. [Refer to IRS Form 990 definition for column (C), management and general expense, in this section.]

(Refer to IRS Form 990 instructions for Part II.)

Other Government Requirements for Cost Allocation

OMB *Circular A-122*, “Cost Principles for Nonprofit Organizations,” requires the use of an approved method of cost allocation. *A-122*’s **Direct Allocation Method** is quoted below.

D. Allocation of Indirect Costs and Determination of Indirect Cost Rates

4. *Direct allocation method.*

a. Some nonprofit organizations treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: (i) General administration and general expenses, (ii) fund raising, and (iii) other direct functions (including projects performed under Federal awards). Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, and the like are prorated individually as direct costs to each category and to each award or other activity using a base most appropriate to the particular cost being prorated.

b. This method is acceptable, provided each joint cost is prorated using a base which accurately measures the benefits provided to each award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data. . . . [This method is consistent with the functional expense reporting requirements of FASB Statement No. 117, AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and IRS Form 990.]

c. Under this method, indirect costs consist exclusively of general administration and general expenses. In all other respects, the organization’s indirect cost rates shall be computed in the same manner as that described in subparagraph 2.

With regard to cost allocation, the Tennessee Department of Finance and Administration’s Policy 03 is consistent with *Circular A-122*’s direct allocation method in paragraph D.4 above. Policy 03 defines the three kinds of costs agencies incur as (1) direct costs, (2) administrative costs, and (3) allocated direct costs. Policy 03’s administrative costs are equivalent to *A-122*’s D.4 general administration and general expenses (which are management and general expenses in

FASB Statement No. 117 and IRS Form 990). Policy 03's allocated direct costs are equivalent to A-122's joint costs in paragraph D.4.b. And, Policy 03's direct costs are equivalent to A-122's direct costs (paragraph B of A-122's Attachment A).

It is the intent of this manual to provide illustrative methods and procedures for improving and simplifying accounting and reporting through standardization. All of the above references to cost allocation and functional expense reporting show the consistency that already exists among the requirements of OMB, FASB, AICPA, and the IRS Form 990.

Note that some government funding programs have statutory requirements that impact on indirect cost rates and cost allocation methods. In these instances, NPOs need to refer to their grant agreement and consult with the state funding agency.

For example, many awards made to state agencies by the U.S. Department of Education are under programs that have a statutory requirement not to supplant non-federal funds. The indirect cost reimbursements to subrecipients of these state agencies are limited by "Education Department General Administrative Regulations," 34 CFR 76.564 (c) to the lesser of (1) the restricted rate, as defined by 34 CFR 76.564 (a); or (2) 8 percent of modified total direct costs (i.e., total direct costs less distorting items such as equipment purchases and flow-through funds).

Your Cost Allocation Objectives and Policies

The **objectives** of your cost allocation methodology are (a) to provide reasonable allocations of your expenses and, at the same time, (b) to avoid establishing costly and burdensome allocation procedures.

Requirement #4-D: *The organization must have (a) established cost allocation policies and (b) a well documented, organization-wide cost allocation methodology that is accepted by your independent auditors and, if applicable, approved by your cognizant government funding agency.* The organization's cost allocation policies must include the following:

1. The same cost allocation method, consistent with GAAP, is employed for all accounting and financial reporting including government grant budgeting and reporting; IRS Form 990, Part II; and GAAP statements of functional expenses,

(This policy assures that, regardless of the cost allocation method that you employ, you will end up with a single, universal trial balance from which all your period-ending reports can be prepared.)

2. The cost allocation method is used consistently from year to year and from grant to grant (changes are allowable subject to approval by the cognizant agency),
3. The cost allocation method documentation includes (a) a description of each common cost pool used for recording allocable common costs and (b) a definition of the basis for the allocation of costs that is applied to each line item of expense. This definition explains how the

items of expense are allocated among functions, departments, projects, grants, or cost pools, and

4. Reliable time records are maintained for each employee for each pay period based on actual detailed time reports or other after-the-fact determination of the actual activity of each employee (from Requirement #1-C).

COST ALLOCATION METHODS

Under Activity Accounting (See Sections 2 and 3 for discussion of Activity Accounting)

Regardless of the cost allocation method that you employ, the objective is to end up with a single, universal trial balance from which you can prepare all your period-ending reports (refer to **Requirement #1-B** in Section 1 of this manual).

For purposes of our discussion of cost allocation methods, organizations incur two general categories of costs: (1) direct costs that apply to, benefit, or can otherwise be identified with a single function, department, project, or grant and do not require percentage allocation; and (2) allocable costs that apply to more than one function, department, project, or grant and therefore do require percentage allocation on some basis. Allocable costs consist of allocable-direct costs and administrative (M&G) costs. An example of a direct *cost* is the salary for the director of a program. An example of an allocable-direct cost is depreciation on fixed assets.

Indirect costs, as related to government indirect cost rates, can be (a) administrative (M&G) costs only or (b) administrative (M&G) costs plus any portion, or all of the allocable-direct costs. However, for consistency, reliability, less burdensome accounting, and simplification of the audit process, when indirect cost pools and rates are used, it is acceptable for them to be equivalent to M&G required for GAAP and IRS Form 990 reporting. This is the cost allocation method specified in *Circular A-122*, Attachment A, paragraph D.

Activity-Level Cost Allocation

Allocable costs can be allocated to detail-level cost objectives. In this manual, the lowest level cost objectives measured by the accounting system are referred to as “activity-level cost objectives.”

Activity-level cost allocation, which is the primary method discussed and illustrated in this manual, means that all allocations of allocable-direct costs to cost objectives are made at the activity level (i.e., the detailed level), and that costs of activities are aggregated as needed to obtain summary-level distributions of costs to cost centers, contracts, projects, grants, programs, departments, functions, organizations, and regions. This approach avoids having multiple and differing methods of cost allocation for the various summary-level cost distributions.

It is not recommended that allocable-direct costs be allocated to various summary-level cost objectives such as grants, contracts, programs, departments, and functions. One reason is that bases for cost allocations can vary depending on the levels at which allocations take place. For example, square footage data may not be available at the activity level while statistics on the number of clients served may not be appropriate at the department level.

Allocable costs that have been allocated at the activity-level are aggregated for summary-level reporting rather than re-allocated at the summary level using different bases and methods.

Dimensions of Cost Allocation Methods

Cost allocation methods vary according to (a) the **object expense category** involved, (b) the **type of cost pool** employed, (c) **timing** of the allocation, and (d) the **basis** that is used. Refer to Example 4-B, Allocation Variables by Object Expense Category, in this section.

(a) Object expense category

Most of the object expense categories listed in the chart of accounts in Section 3 can involve allocable expenses. Each object expense category can involve allocations at different times, have one or more bases, and use one or more types of cost pools.

The categories in the chart of accounts have been tailored to ensure that various cost allocation methods can be employed.

(b) Types of cost pools.

Allocations can be significantly simplified when grouped and accounted for in cost pools.

Below are the types of cost pools in the step-down hierarchy of cost-pool allocation in the sequence in which they should be performed (with one or two suggested bases in parentheses):

Step 1 - Employee leave line-item common cost pool (e.g., vacation, sick leave, holidays, and other out-of-service hours) (basis: direct-staff in-service salaries or hours worked)

Step 2 - Employee fringe line-item common cost pool (e.g., pension, benefits, taxes) (basis: direct-staff salaries)

Step 3 - Line-item common cost pools for other object expense categories such as occupancy, supplies, telephone, and depreciation (simple basis: direct-staff salaries or hours or modified total direct costs, or variable-basis: by line item, if justified)

Step 4 - Common cost pools for service departments such as data processing, printing and duplicating, or mail room (basis: direct-staff salaries or modified total direct costs)

Step 5 - Indirect/administrative cost pool (e.g., M&G function/department) allocated for grant reporting but not for GAAP or IRS Form 990 reporting (basis: direct-staff salaries or modified total direct costs)

To ensure that allocated costs are distributed fairly and evenly among functions and grants, cost pools are often maintained on a year-to-date, cumulative basis rather than allocated and recorded in the accounting records monthly. Final cost pool allocations are made at year's end or at the end of a grant period. Provisional cost allocations are made during the year or during a grant period for interim reporting purposes only.

Grants or contracts with periods that end during the organization's fiscal year will not have final allocated costs until year end.

In general, cost pool allocations can be more economical and reliable than transaction-by-transaction allocations which can be cumbersome and costly, even with computer software. The major exception is direct-staff in-service salary and wages where detailed salary transactions for each employee must be allocated at least monthly, based on reliable and credible staff time records.

(c) **Timing**

Costs can be allocated at three points in time: (point 1) when the transaction is **initially coded** and recorded in the accounting system, (point 2) during **month-end report processing**, and (point 3) during **year-end processing**.

Different object expense categories can involve expense allocations at different times.

For example, in-service salaries for each employee should always be allocated at point (1) above when the payroll data is initially coded and recorded for a pay period. Out-of-service salaries (i.e., vacation, holidays, sick leave) are recorded in a common cost pool for allocation at the end of each month or, more equitably, at the end of the year.

Depreciation, on the other hand, will usually be calculated and allocated during year-end processing (with provisional allocations for monthly reporting if necessary).

All direct costs should be charged directly to the specific activity or cost objective when the expense transaction is initially coded and recorded. Exceptions should be temporarily coded as suspense transactions, with final activity coding to be applied during month-end processing.

(d) **Basis for allocation**

AICPA Audit and Accounting Guide: *Not-for-Profit Organizations*, provides an outline of suggested bases for allocation for various categories of object expenses:

AAG-NPO 13.44 If direct identification (that is, assignment) is impossible or impracticable, an allocation is appropriate. The techniques used to allocate are common to all entities, for-profit and not-for-profit alike. A reasonable allocation of expenses among an organization's functions may be made on a variety of bases. Objective methods of allocating expenses are preferable to subjective methods.

13.45 The allocation may be based on related financial or nonfinancial data. For example, the expenses associated with occupying and maintaining a building, such as depreciation, utilities, maintenance, and insurance, may be allocated based on the square footage of space occupied by each program and supporting service. If floor plans are not available and the measurement of the occupied space is impractical, an estimate of the relative portion of the building occupied by each function may be made. Occupying and maintaining a building is not a separate supporting service.

Interest costs, including interest on a building's mortgage, should be allocated to specific programs or supporting services to the extent possible; interest costs that cannot be allocated should be reported as part of the management and general function.

13.46 An organization should evaluate its expense allocation methods periodically. The evaluation may include, for example, a review of the time records or activity reports of key personnel, the use of space, and the consumption of supplies and postage. The expense allocation methods should be reviewed by management and revised when necessary to reflect significant changes in the nature or level of the organization's current activities.

Allocations can be made on (a) a single basis for all categories of object expenses or (b) multiple bases that vary by line item or object category. When reliable, using a single basis for allocating common costs can be less burdensome.

In multi-funded, multiple fiscal year environments, financial bases, such as direct salaries and modified total direct expenses, are easier to apply. They reflect the continuing change in funding and the relationship of each activity to the whole. As funding begins and ends, activities enter and leave the on-going allocation process. Hours and units of service may also be practical bases. Static bases such as square footage, number of telephones, and the like are often unreliable in a changing environment.

Checklist of Suggested Allocation Bases for Example 4-B

(Suggested allocation bases are sequenced in Example 4-B in the recommended order of preference.)

NOTE: Many, if not most, of the decisions regarding expense allocation bases can be made during the budgeting process when budgets for activities are established in a line-item-by-activity format. That format is a spreadsheet matrix where line-item object expenses are allocated across activities. Activity budgets are aggregated into budgets for various summary cost objectives including departments, functions, programs, cost centers, grants, and projects.

Expenses that can be identified directly with a single activity are charged:

1. One hundred percent (100%) to the single activity.

Expenses that are incurred for the benefit of more than one activity can be allocated on the basis of:

2. *Direct-Staff Hours*: Percentage of time spent by staff assigned to activities.
3. *Direct-Staff Salaries*: Percentage of total salary of staff assigned to activities.
4. *Direct Expenses*: Percentage of total direct expenses for activities.
5. *Modified Total Direct Expenses*: Percentage of total direct expenses for activities, less distorting expense items (e.g., equipment purchases, flow through funds, foods under USDA food programs, etc.).
6. *Units of Service*: Percentage by units of service provided.
7. *Usage*: Percentage by usage of space, equipment, or other assets by activities.
8. **Budget*: Percentages used in the budget for activities (see NOTE above).
9. **Prior Year*: Percentages based on prior year actual percentages for activities.

*Options 8 and 9 may be used only when the use of one of the other options is not feasible. Further, OMB *Circular A-122*, Attachment B, Paragraph 6.1.(2)(a) states that “Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.” (Note that a federal cognizant agency can approve a predetermined indirect cost rate which would override the above requirement.)

Reducing the Burden of Cost Allocation by Using Only One or Two Bases

To reduce the complexity and burden of cost allocation for smaller nonprofits, (a) direct-staff salaries, (b) total direct costs (which includes in-service direct-staff salaries), and (c) modified total direct costs (which also includes direct-staff salaries) can often be the only bases used for allocation of every object expense category. These bases are fairly simple to calculate and

apply. Choosing this approach (on an exception basis, with prior approval of the Cognizant State agency) would comply with the requirements of this manual provided the organization and the auditors have determined, and documented, that the resulting cost allocations do not vary materially from cost allocations based on the preferred Policy 03 practice of using different bases as appropriate for various expense categories.

There are several reasons why the use of direct-staff salaries as the single base (or one of the two total direct cost bases that include direct-staff salaries) can be reliable and useful, especially when two thirds or more of all expenses are personnel related. (1) Salaries alone (not including benefits and payroll taxes) can often be 50 percent or more of an organization's expenses. (2) All other payroll related expenses are allocated on the basis of direct-staff salaries. (3) Other categories of object expenses tend to vary according to staff salaries. Examples include occupancy, equipment rental and maintenance, depreciation, and general insurance. (4) This approach can provide a significant cost-saving option, especially for small to mid-sized organizations.

Direct-staff salaries has been used as the single basis to develop the illustrative universal trial balance, GAAP statements, IRS Form 990 financial statements, Tennessee uniform grant report, and Tennessee Secretary of State financial summary presented elsewhere in this manual.

Cost allocation can be simplified even further by combining allocable-direct line-item and service department common cost pools into one or more cost centers for allocation purposes. IRS Form 990 provides guidance for using cost centers for allocating cost pools (from IRS Form 990 instructions for Part II, Statement of Functional Expenses):

Colleges, universities, hospitals, and other organizations that accumulate indirect [allocable-direct] expenses in various cost centers (such as the expenses of operating and maintaining the physical plant) that are reallocated to the program services and other functional areas of the organization in single or multiple steps may find it easier to report these expenses in the following optional manner:

First, report the [object] expenses of these indirect [allocable-direct] cost centers on lines 25 through 43 of column (C), Management and general, along with the expenses properly reportable in that column.

Second, allocate the total [allocable-direct] expenses for each cost center to columns ((B), (C), and (D) (Program services, Management and general, and Fundraising) as a separate item entry on line 43, Other expenses. Enter the name of the cost center on line 43. . . . If part of the total cost center expenses are to be allocated to columns (B), Program services, and (D), Fundraising, enter these expenses as positive amounts in these columns and as single negative amounts in column (C), Management and general.

Do not make any entries in column (A), Total, for these offsetting entries.

In a grant report or GAAP Statement of Functional Expenses, these allocable-direct cost center expenses would be reported in a separate column (or separate columns if more than one cost center were required). The name of the cost center would be entered as an additional line item at the end of the object expense categories (e.g., on line 18.a., Other nonpersonnel expenses, of the F&A Policy 03 uniform reporting form, part A). Positive allocation amounts would be entered in the columns for various grants, functions, or activities. A negative, offsetting amount would be entered in the column for the allocable-direct cost center. No entry would be made in the total column for these offsetting entries. The allocations would be based on direct-staff salaries, total direct expenses, or modified total direct expenses. It could be useful to limit the allocable-direct cost centers to including only nonpersonnel expenses.

When a single basis is employed (with approval of your cognizant state agency), this approach provides the same allocation results as making line-by-line allocations, but eliminates the cost and burden of following such procedures. If this cost-center approach to allocation is employed, it must also be used in the budgeting process as well. Otherwise, budget-to-actual reporting and analysis would not be possible.

Even with the use of one or two cost allocation bases, reliable staff time recordkeeping is still essential. Every nonprofit needs to have a reliable system for recording staff time by activity for each pay period. All in-service, direct-staff salaries are allocated based on direct-staff hours. All payroll related expenses (e.g., leave salaries, benefits, and payroll taxes) and frequently many other categories of expense are allocated based on direct-staff salaries (which have been allocated based on hours). Each employee's salary for each pay period is allocated to various activities based on time and attendance records (refer to illustrative time sheet in this section). Year-to-date total direct-staff salaries are maintained in the accounting system by activity.

ALLOCATION VARIABLES BY OBJECT EXPENSE CATEGORY

Account Number	Object Expense Categories (7000-9999)	Method & Timing			Use of Cost Pool	Suggested Allocation Bases	Form 990 Line Item	Policy 03 Template Part A
		Initial Recording in Books	Month-end Report Processing	Year-end Report Processing				
		refer to pages 4-17 through 4-19				refer to page 4-20		
<i>Grants, Contracts & Direct Assistance:</i>								
7005-xxx	Prog-related contracts to other entities	Direct/program	No	No	Unusual	1 (all program)	22	A-15
7010-xxx	Grants to other organizations	Direct/program	No	No	Unusual	1 (all program)	22	N/A
7020-xxx	Allocations to affiliated organizations	Direct/program	No	No	Unusual	1 (all program)	22	N/A
7030-xxx	Awards and grants to individuals	Direct/program	No	No	Unusual	1 (all program)	22	A-15
7040-xxx	Specific assistance to individuals	Direct/program	No	No	Unusual	1 (all program)	23	A-16
<i>Salaries & Related Expenses:</i>								
7110-xxx	Salaries of officers, directors, etc.							
	In-service	Always/pay period	No	No	Unusual	1,2	25	A-1
	Out-of-service	Optional/pay period	Optional	Optional	Yes	1,3	25	A-1
7120-xxx	Other salaries and wages							
	In-service	Always/pay period	No	No	Unusual	1,2	26	A-1
	Out-of-service	Optional/pay period	Optional	Optional	Yes	1,3	26	A-1
7220-xxx	Pension plan contributions	Optional	Optional	Optional	Yes	1,3	27	A-2
7230-xxx	Other employee benefits	Optional	Optional	Optional	Yes	1,3	28	A-2
7310-xxx	Payroll taxes, etc.	Optional	Optional	Optional	Yes	1,3	29	A-2
<i>Other Expenses:</i>								
7510-xxx	Professional fundraising fees	Direct/fundraising	No	No	No	1 (fundraising)	30	N/A
7520-xxx	Accounting fees	Direct/M&G	No	No	Unusual	1,7,8	31	A-4
7530-xxx	Legal fees	Direct/usually M&G	No	No	Unusual	1,7,8	32	A-4
7540-xxx	Donated professional services	Optional	Optional	Optional	Yes	1,7,8	Part III	A-24
7710-xxx	Supplies	Optional	Optional	Optional	Yes	1,3,7,8	33	A-5
7720-xxx	Donated materials and supplies	Optional	Optional	Optional	Yes	1,3,7,8	33	A-24
7810-xxx	Telephone	Optional	Optional	Optional	Yes	1,6,3,7,8	34	A-6
7910-xxx	Postage and shipping	Optional	Optional	Optional	Yes	1,3,6,7,8	35	A-7
7920-xxx	Mailing services	Optional	Optional	Optional	Yes	1,3,6,7,8	35	A-7
8010-xxx	Occupancy	Optional	Optional	Optional	Yes	1,6,3,7,8	36	A-8
8020-xxx	Interest on mortgages	Optional	Optional	Optional	Yes	1,6,3,7,8	36	A-8
8030-xxx	Donated use of facilities and utilities	Optional	Optional	Optional	Yes	1,6,3,7,8	Part III	A-24
8110-xxx	Equipment rental and maintenance	Optional	Optional	Optional	Yes	1,6,3,7,8	37	A-9
8210-xxx	Printing and duplicating	Optional	Optional	Optional	Yes	1,7,3,8	38	A-10
8220-xxx	Publications (published by others)	Optional	Optional	Optional	Yes	1,7,3,8	38	A-10
8230-xxx	Publications (published by organization)	Optional	Optional	Optional	Yes	1,7,3,8	38	A-10
8310-xxx	Travel	Optional	Optional	Optional	Yes	1,7,3,8	39	A-11
8510-xxx	Conferences, conventions, meetings	Optional	Optional	Optional	Yes	1,7,3,8	40	A-12
8610-xxx	Interest-general	Optional	Optional	Optional	Yes	1,3,7,8	41	N/A
8650-xxx	Depreciation	Optional	Optional	Optional	Yes	1,6,3,7,8	42	A-17
8710-xxx	Insurance-excluding employee related	Optional	Optional	Optional	Yes	1,3,7,8	43	A-14
8810-xxx	Membership dues	Optional	Optional	Optional	Yes	1,7,8	43	A-18
8820-xxx	Staff development	Optional	Optional	Optional	Yes	1,3,7,8	43	A-18
9010-xxx	List rental	Optional	Optional	Optional	Yes	1,7,8	43	A-18
9020-xxx	Outside computer services	Optional	Optional	Optional	Yes	1,3,7,8	43	A-18
9030-xxx	Other professional fees	Optional	Optional	Optional	Yes	1,3,7,8	43	A-18
9040-xxx	Contract temporary help	Optional	Optional	Optional	Yes	1,2,7,8	43	A-18
9100-xxx	Bad debt expense	Direct/program	No	No	No	1	43	N/A
9110-xxx	Taxes-UBIT, avoidable	Optional	Optional	Optional	Yes	1,7	43	N/A
9120-xxx	Fines, penalties, judgments-organization	Optional	Optional	Optional	Yes	1	43	A-18
9130-xxx	Incorporation & other organization exps.	Direct/usually M&G	No	No	Unusual	1,3,4,5,7,8	43	A-18
9140-xxx	Advertising	Optional	Optional	Optional	Yes	1,7	43	A-18
9150-xxx	Contingency provisions	Optional	Optional	Optional	Yes	1,7	43	N/A
9300-xxx	Other expenses	Optional	Optional	Optional	Yes	1,3,7,8	43	A-19
9810-xxx	Capital purchases-land	Optional	Optional	Optional	Yes	Capitalized	Capitalized	A-20
9820-xxx	Capital purchases-buildings	Optional	Optional	Optional	Yes	Capitalized	Capitalized	A-20
9830-xxx	Capital purchases-equipment	Optional	Optional	Optional	Yes	Capitalized	Capitalized	A-20
9910-xxx	Payments to affiliates	Unusual	No	No	No	N/A	16	N/A
xxxx-910	Service department cost pools	No	Optional	Optional	Cntl sv pool	1,3,6,4,7,8	N/A	A-18.d
xxxx-510	Administrative (M&G) costs	No	Optional	Optional	Admin pool	1,3,4,5,7,8	44(C)	A-22

"Optional" means allocations can take place at that time.

RELIABLE STAFF TIME RECORDKEEPING IS A REQUIREMENT

Requirement #1-C (from Section 1): *The organization must maintain reliable time records for each employee for each pay period based on actual detailed time reports or other after-the-fact determination of the actual activity of each employee.*

Maintenance of detailed staff time records is essential for reliable financial reporting and a specific requirement of OMB *Circular A-122* and the numerous GAAP for nonprofit organizations.

OMB *Circular A-122* (Attachment B, Paragraph 6, Section I) requires that

Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports. . . . maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. . . .

The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards. Each report must account for the total activity for which employees are compensated. . . .

The reports must be prepared at least monthly and must coincide with one or more pay periods.

Charges for the salaries and wages of nonprofessional employees, in addition to the supporting documentation described in subparagraphs (1) and (2), must also be supported by records indicating the total number of hours worked each day. . . .

Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner. . . .

Designing Time Sheet Forms

Step 1: An Activity Code Chart for your organization’s functional structure is needed to prepare time sheet forms (refer to example chart in Section 3):

Level 1 (top) has one box representing all the employees on the payroll, i.e., the entire organization.

Level 2 has a separate box for (a) program services, (b) supporting services, and (c) central services. (Costs charged to central service cost centers and cost pools are allocated to program and supporting service activities for reporting purposes.)

Level 3 has a separate box for each department or function under each level 2 box for which revenue and/or expenses are budgeted for, accounted for, and reported separately. At a minimum, level 3 includes one program function under program services and a management & general function under supporting services. If contributions are solicited, a fund raising function is included under supporting services.

Level 4 has a separate box for each grant, contract, or project under each level 3 box for which revenue and/or expenses are budgeted for, accounted for, and reported separately.

Level 5 has a separate box for each activity, service, or detail-level cost objective under each level 4 box for which expenses are budgeted for, accounted for, and reported separately.

Step 2: Time sheet categories are established for each box across the activity level (5) on the bottom of this chart (refer to illustrative time sheet in this section).

Time Records and Salary Allocations for Each Pay Period

Step 1: A time sheet is prepared and signed for every employee for every payroll. Even if the activity assignments are the same every payroll, a time sheet is needed for your records and to report any out-of-service time such as vacation or sick leave.

The time sheet objective for the pay period is to record the time an employee spends on any activity within a project or grant within a function or department.

Step 2: Gross salaries and wages for each employee for each payroll are distributed to activities according to percentages based on the actual time sheet for the related pay period.

NOTE: When payroll related expenses represent two thirds or three quarters of an organization's budget, direct-staff salaries may be reliable as the primary basis for cost allocations.

Establishing Amounts for Salaries and Distributing Them by Activities

This section includes example schedules showing how expenses for various line items can be distributed by activity code.

This example shows how the vast majority of the many accounting tasks can be performed by the computer--in this case using spreadsheet software.

Accounting for salaries begins with monthly time distribution data from time sheets for each pay period and payroll data for each employee and ends with year-to-date amounts **by activity code**

in the trial balance for the two salary line item numbers 7110 and 7120. A single, seven-page monthly computer spreadsheet is used to produce the illustrations.

Monthly Time Sheets for Employees

The illustrative trial balance and various financial reports in this manual are based on the assumption that the organization employs after-the-fact determinations of how employees spend their time in terms of activity codes found in its chart of accounts--as required by OMB *Circular A-122*. The activities listed in the illustrative Monthly Time sheets for Employees are the same as those in the Revenue and Expense Activity Code Table in Section 3.

Methods for making such determinations can vary from one employee to another depending on the circumstances. For employees whose time is always distributed in the same amounts to one or more activity codes, daily maintenance of time sheet records is not needed and the same preset time sheet can be used from one pay period to the next. For others, periodic actual daily time records may be required with adjustments to the preset time sheets as indicated (e.g., one-week testing on a quarterly basis or random moment or random week sampling). In some cases, employees will need to keep daily time records.

Regardless of the method(s) used, if after-the-fact determinations are required, payroll records should include a file containing copies of completed monthly time sheets for each employee for each month. Each time sheet should show the number of hours for which the employee was paid each day and how those hours were spent in terms of the valid activity codes you have established for your chart of accounts.

NOTE: Individual employee time sheets can be set up on spreadsheet software, if desired. This approach may or may not be the most efficient and effective way to maintain monthly time sheet records. See illustrative monthly time sheet in this section.

Seven-Page Monthly Computer Spreadsheet Includes:

MONTHLY Time Sheets for Employees-page 4-29

MONTHLY Staff/Activity TIME Distribution in HOURS (Data Entry)-page 4-30

MONTHLY Staff/Activity TIME Distribution in PERCENTAGES-page 4-31

MONTHLY Staff/Activity SALARY Distribution in DOLLARS-page 4-32

YEAR-TO-DATE Staff/Activity TIME Distribution in HOURS-page 4-33

YEAR-TO-DATE Staff/Activity TIME Distribution in HOURS-(Year End)-page 4-34

YEAR-TO-DATE Staff/Activity TIME Distribution in PERCENTAGES-(Year End)-page 4-35

YEAR-TO-DATE Staff/Activity SALARY Distribution in DOLLARS-(Year End)-page 4-36

NOTE: The following is an example of how computerization can make a complex, detailed accounting procedure easy for the bookkeeping staff to perform. Once the above templates have been established for monthly salary processing, the only data entry required would be (a) the monthly gross salary from the payroll records for each employee and (b) the hours from the time sheets for each employee, distributed by activity. The prior month's seven-page spreadsheet provides prior-month year-to-date data for this month's spreadsheet. At the end of each fiscal year, there would be 12 monthly computer spreadsheets in the accounting records for salary processing. All tabulations and calculations, and the production of the seven-page salary processing reports, are performed by spreadsheet software. This concept can also be adapted for use in preparing budgets by activity.

The computer automatically does the following:**Monthly Salary Processing**

1. The computer converts the monthly hours spent by each employee on each activity to **time** percentages (refer to page 4-30).
2. The computer allocates the monthly gross salaries for each employee by activity according to the time percentages (refer to page 4-31).
3. The computer tabulates the monthly gross salaries by activity for two expense accounts: 7110-Officer salaries and 7120-Other salaries. The 24 total figures for these two line items and the 12 activity codes can be posted in the general ledger from this monthly report (refer to page 4-32).

Year-To-Date Salary Processing

4. The computer adds the current monthly hours for each employee for each activity to the prior month's year-to-date hours for each employee for each activity. Refer to page 4-33 for prior month's year-to-date report in hours and page 4-34 for the current month's year-to-date report in hours.
5. The computer converts the year-to-date hours for each employee for each activity to **time** percentages (refer to page 4-34).
6. The computer allocates the year-to-date gross salary for each employee by activity according to the time percentages (refer to page 4-35).
7. The computer tabulates the year-to-date gross salaries by activity for the two expense accounts: 7110 - Officer salaries and 7120 - Other salaries (refer to page 4-36).

8. The computer allocates the leave cost pools to the other 11 activity categories for the two salary line items (refer to page 4-36).
9. The computer allocates the central services cost pools for salaries to the other 10 activity categories for the two salary line items (refer to page 4-36).

The Total OFFICER salaries/Common Allocated (salary line item #7110) and the Total OTHER salaries/Common Allocated (salary line item #7120) figures are transferred by activity code to the universal trial balance. This can be done automatically by the spreadsheet software.

10. The computer adds the allocated salaries for the two line items together for the Total ALL salaries/Allocated figures for the 10 activity categories (refer to page 4-36).
11. The computer calculates salaries as % of total salaries for each of the 10 activity codes (refer to page 4-36).

These percentages can be entered (or transferred by computer) to the universal trial balance spreadsheet for use as the basis for allocation of allocable direct and indirect/administrative costs.

The seven monthly salary processing reports can be produced by using a computer spreadsheet template programmed along the lines of the one developed for the illustrations in this manual. A word of caution: while spreadsheet software can be programmed to do monthly and year-end salary processing and reporting, they are prone to error unless managed very carefully by highly skilled individuals. When accounting software systems or outside payroll processors with the above salary processing capabilities are available, they can be more reliable, easier to use, and require less skill to operate.

Authoritative References That Address Cost Allocation and Functional Expense Reporting

Accounting & Financial Reporting (1974 & 1987) published by United Way of America, pages 25-27, 49, 86-88, 107-112, 149, and 154; includes explicit statements of coordination with AICPA and intent to be compatible with the AICPA industry audit guide.

AICPA's Audit and Accounting Guide: *Not-for-Profit Organizations*, (refer to AAG-NPO 13.42 to 13.46).

OMB Circular A-122, *Cost Principles for Nonprofit Organizations*; Attachment A, Section D, Paragraph 4, includes explicit reference to GAAP functional cost allocation.

IRS instructions for Form 990, Part II, Statement of Functional Expenses.

FASB Statement No. 117, pages 9-10, 23-25, and 59; includes implicit references to the AICPA Audit Guide and IRS Form 990.

ABC Not-For-Profit Organization
Monthly Timesheet for Employee

Name of Employee: Assistant Director, Program A.

Month: May Year: 20x2

Activity	Activity Code	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Period Hours	Period Percent			
Program A, general	100			4.0							4.0						8.0	9.1%	enter on page 2 ↓		
Program A, contract #101	120	8.0	8.0	4.0	8.0	4.0			8.0	8.0	4.0	8.0	4.0			8.0	72.0	81.8%			
Program A, contract #102	130					4.0							4.0				8.0	9.1%			
Program B, general	200																0.0	0.0%			
Program A, contract #101	220																0.0	0.0%			
Program C, general	300																0.0	0.0%			
Program A, contract #103	320																0.0	0.0%			
Program D, grant #204	420																0.0	0.0%			
Management & general	510																0.0	0.0%			
Fundraising	710																0.0	0.0%			
Central services	910																0.0	0.0%			
Leave pool	920																0.0	0.0%			
	Total	8.0	8.0	8.0	8.0	8.0			8.0	8.0	8.0	8.0	8.0			8.0	88.0	100.0%			
																	Period Hours	Period Percent	Month Hours	Month Percent	
		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31				
Program A, general	100		4.0						4.0						4.0			12.0	12.5%	20.0	10.9%
Program A, contract #101	120	8.0	4.0	8.0	4.0			8.0	4.0	8.0					4.0	8.0		56.0	58.3%	128.0	69.5%
Program A, contract #102	130				4.0												8.0	12.0	12.5%	20.0	10.9%
Program B, general	200																	0.0	0.0%	0.0	0.0%
Program A, contract #101	220																	0.0	0.0%	0.0	0.0%
Program C, general	300																	0.0	0.0%	0.0	0.0%
Program A, contract #103	320																	0.0	0.0%	0.0	0.0%
Program D, grant #204	420																	0.0	0.0%	0.0	0.0%
Management & general	510																	0.0	0.0%	0.0	0.0%
Fundraising	710																	0.0	0.0%	0.0	0.0%
Central services	910																	0.0	0.0%	0.0	0.0%
Leave pool	920										8.0	8.0						16.0	16.7%	16.0	8.7%
	Total	8.0	8.0	8.0	8.0			8.0	8.0	8.0	8.0	8.0			8.0	8.0	8.0	96.0	100.0%	184.0	100.0%

Signature: _____ Date: _____

Supervisor's Signature: _____ Date: _____

Not-For-Profit Organizations

Monthly Staff/Activity TIME Distribution in HOURS
For the Month Ended May 31, 20X2

Line Item	Job Title	Monthly Gross Salary	Program A Unrestr.	Program A Contract 101	Program A Contract 102	Program B Unrestr.	Program B Contract 101	Program C Unrestr.	Program C Contract 103	Program D Grant 204	Mgt. & General	Fund Raising	Other Common Cost Pools	Leave Cost Pool	Total	
													Central Services	Line Item Cost Pool		
Activity Codes			(100)	(120)	(130)	(200)	(220)	(300)	(320)	(420)	(510)	(710)	(910)	(920)		
7110	Exec. Director/CEO	\$ 5,417	50	60							34	24		16	184	
7110	Director Admin./CFO/MIS	4,167		84							40		44	16	184	
7120	Director, Program A	4,167	20	108										56	184	
7120	Asst. Director, Program A	2,917	168	-										16	184	
7120	Asst. Director, Program A	2,917	20	128	20			← Enter from page 1 →						16	184	
7120	Director, Program B	3,750				10	158								16	184
7120	Director, Programs C & D	3,750						40	80	48					16	184
7120	Support	2,083	30	30	30	34					44			16	184	
7120	Support	1,667		168										16	184	
7120	Support	1,250	100	68										16	184	
	Total hours-UNALLOCATED	\$ 32,085	388	646	50	44	158	40	80	48	118	24	44	200	1,840	
	Allocation of LEAVE hrs. prorated		47	79	6	5	19	5	10	6	15	3	5	(200)	0	
	Total hrs.-WITH LEAVE ALLOCATED		435	725	56	49	177	45	90	54	133	27	49	0	1,840	
	Hours as % of total hrs.		23.7%	39.4%	3.0%	2.7%	9.6%	2.4%	4.9%	2.9%	7.2%	1.5%	2.7%		100.0%	
	Allocation of COMMON hrs. prorated		12	20	2	1	5	1	2	1	4	1	(49)		0	
	Total hrs.-WITH COMMON ALLOCATED		447	745	58	50	182	46	92	55	137	28	0		1,840	
	Hrs. as % of total hrs.		24.3%	40.5%	3.1%	2.7%	9.9%	2.5%	5.0%	3.0%	7.5%	1.5%			100.0%	

Monthly Staff/Activity TIME Distribution in PERCENTAGES
For the Month of May 31, 20X2

Line Item	Job Title	Monthly Gross Salary	Program A	Program A	Program A	Program B	Program B	Program C	Program C	Program D	Mgt. &	Fund	Other	Leave Cost	Total
			Unrestr.	Contract 101	Contract 102	Unrestr.	Contract 101	Unrestr.	Contract 103	Grant 204	General	Raising	Common Cost Pools	Pool at 12.00%	
Activity Codes			(100)	(120)	(130)	(200)	(220)	(300)	(320)	(420)	(510)	(710)	(910)	(920)	
Column in GAAP Statement of Activity			A81	A81	A81	A82	A82	A83	A83	A84	A86	A87	Allocated	Allocated	
Column in GAAP Stmt. of Functional Exp.			A	A	A	B	B	C	C	D	F	G	Allocated	Allocated	
7110	Exec. Director/CEO	\$ 5,417	27.2%	32.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.5%	13.0%	0.0%	8.7%	100.0%
7110	Director Admin./CFO/MIS	4,167	0.0%	45.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.7%	0.0%	23.9%	8.7%	100.0%
7120	Director, Program A	4,167	10.9%	58.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30.4%	100.0%
7120	Asst. Director, Program A	2,917	91.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.7%	100.0%
7120	Asst. Director, Program A	2,917	10.9%	69.5%	10.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.7%	100.0%
7120	Director, Program B	3,750	0.0%	0.0%	0.0%	5.4%	85.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.7%	100.0%
7120	Director, Programs C & D	3,750	0.0%	0.0%	0.0%	0.0%	0.0%	21.7%	43.5%	26.1%	0.0%	0.0%	0.0%	8.7%	100.0%
7120	Support	2,083	16.3%	16.3%	16.3%	18.5%	0.0%	0.0%	0.0%	0.0%	23.9%	0.0%	0.0%	8.7%	100.0%
7120	Support	1,667	0.0%	91.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.7%	100.0%
7120	Support	1,250	54.3%	37.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.7%	100.0%
Totals		\$ 32,085	210.9%	351.1%	27.2%	23.9%	85.9%	21.7%	43.5%	26.1%	64.1%	13.0%	23.9%	108.7%	1000.0%

Monthly Staff/Activity SALARY Distribution in DOLLARS
For the Month of May 31, 20X2



Monthly input to general ledger:
(A) to salary line item #7110
(B) to salary line item #7120

Line Item	Job Title	Monthly Gross Salary	Program A Unrestr.	Program A Contract 101	Program A Contract 102	Program B Unrestr.	Program B Contract 101	Program C Unrestr.	Program C Contract 103	Program D Grant 204	Mgt. & General	Fund Raising	Other Common Cost Pools	Leave Cost Pool	Total	
													Central Services	Line Item Cost Pool		
	Activity Codes Column in GAAP Statement of Activity Column in GAAP Stmt. of Functional Exp.		(100) A81 A	(120) A81 A	(130) A81 A	(200) A82 B	(220) A82 B	(300) A83 C	(320) A83 C	(420) A84 D	(510) A86 F	(710) A87 G	(910) Allocated Allocated	(920) Allocated Allocated		
Officer Salaries:																
7110	Exec. Director/CEO	\$ 5,417	\$ 1,472	\$ 1,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,001	\$ 707	\$ -	\$ 471	\$ 5,417	
7110	Director Admin./CFO/MIS	4,167	-	1,902	-	-	-	-	-	-	906	-	997	362	4,167	
7110(A)	Subtotal - officer salaries	\$ 9,584	\$ 1,472	\$ 3,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,907	\$ 707	\$ 997	\$ 833	\$ 9,584	
Other Salaries:																
7120	Director, Program A	\$ 4,167	\$ 453	\$ 2,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,268	\$ 4,167	
7120	Asst. Director, Program A	2,917	2,663	-	-	-	-	-	-	-	-	-	-	254	2,917	
7120	Asst. Director, Program A	2,917	318	2,027	318	-	-	-	-	-	-	-	-	254	2,917	
7120	Director, Program B	3,750	-	-	-	204	3,220	-	-	-	-	-	-	326	3,750	
7120	Director, Programs C & D	3,750	-	-	-	-	-	815	1,631	978	-	-	-	326	3,750	
7120	Support	2,083	340	340	340	384	-	-	-	-	498	-	-	181	2,083	
7120	Support	1,667	-	1,522	-	-	-	-	-	-	-	-	-	145	1,667	
7120	Support	1,250	679	462	-	-	-	-	-	-	-	-	-	109	1,250	
7120(B)	Subtotal - other employee salaries	\$ 22,501	\$ 4,453	\$ 6,797	\$ 658	\$ 588	\$ 3,220	\$ 815	\$ 1,631	\$ 978	\$ 498	\$ -	\$ -	\$ 2,863	\$ 22,501	
Total ALL monthly salaries/(UNALLOCATED)			\$ 32,085	\$ 5,925	\$ 10,465	\$ 658	\$ 588	\$ 3,220	\$ 815	\$ 1,631	\$ 978	\$ 2,405	\$ 707	\$ 997	\$ 3,696	\$ 32,085
Allocation of LEAVE salaries			\$ 772	\$ 1,364	\$ 85	\$ 78	\$ 418	\$ 107	\$ 211	\$ 126	\$ 314	\$ 92	\$ 129	\$ (3,696)	\$ -	
Total salaries-with LEAVE allocated			\$ 6,697	\$ 11,829	\$ 743	\$ 666	\$ 3,638	\$ 922	\$ 1,842	\$ 1,104	\$ 2,719	\$ 799	\$ 1,126	\$ -	\$ 32,085	
Salaries as a % of total salaries			20.9%	36.9%	2.3%	2.1%	11.3%	2.9%	5.7%	3.4%	8.5%	2.5%	3.5%	-	100.0%	
Allocation of COMMON salaries			\$ 243	\$ 430	\$ 27	\$ 24	\$ 133	\$ 34	\$ 66	\$ 41	\$ 99	\$ 29	\$ (1,126)	\$ -	\$ -	
Total salaries-with COMMON allocated			\$ 6,940	\$ 12,259	\$ 770	\$ 690	\$ 3,771	\$ 956	\$ 1,908	\$ 1,145	\$ 2,818	\$ 828	\$ -	\$ -	\$ 32,085	
Salaries as a % of total salaries			21.6%	38.2%	2.4%	2.1%	11.8%	3.0%	5.9%	3.6%	8.8%	2.6%	-	-	100.0%	

Year-To-Date Staff/Activity TIME Distribution in HOURS
Year-To-Date as of May 31, 20X2

Line Item	Job Title	Y-T-D Gross Salary	Program A Unrestr.	Program A Contract 101	Program A Contract 102	Program B Unrestr.	Program B Contract 101	Program C Unrestr.	Program C Contract 103	Program D Grant 204	Mgt. & General	Fund Raising	Other Common Cost Pools	Leave Cost Pool	Total
													Central Services	Line Item Cost Pool	
Activity Codes		→	(100)	(120)	(130)	(200)	(220)	(300)	(320)	(420)	(510)	(710)	(910)	(920)	
7110	Exec. Director/CEO	\$ 59,583	279	368	54	374	104	0	0	0	411	72	0	234	1,896
7110	Director Admin./CFO/MIS	45,833	0	540	0	0	0	0	0	0	376	0	746	234	1,896
7120	Director, Program A	45,833	396	1,202	104	0	0	0	0	0	0	0	0	194	1,896
7120	Asst. Director, Program A	32,083	1,662	0	0	0	0	0	0	0	0	0	0	234	1,896
7120	Asst. Director, Program A	32,083	188	1,328	146	0	0	0	0	0	0	0	0	234	1,896
7120	Director, Program B	41,250	0	0	0	406	1,256	0	0	0	0	0	0	234	1,896
7120	Director, Programs C & D	41,250	0	0	0	0	0	626	606	430	0	0	0	234	1,896
7120	Support	22,917	282	178	178	174	0	0	0	0	330	0	520	234	1,896
7120	Support	18,333	0	1,246	208	0	208	0	0	0	0	0	0	234	1,896
7120	Support	13,750	815	847	0	0	0	0	0	0	0	0	0	234	1,896
Total hours-UNALLOCATED		\$ 352,915	3,622	5,709	690	954	1,568	626	606	430	1,117	72	1,266	2,300	18,960
Allocation of LEAVE hrs. prorated			501	788	95	132	216	86	84	59	154	10	175	2,300	0
Total hrs.-with LEAVE allocated			4,123	6,497	785	1,086	1,784	712	690	489	1,271	82	1,441	0	18,960
Hours as % of total hrs.			21.8%	34.3%	4.1%	5.7%	9.4%	3.8%	3.6%	2.6%	6.7%	0.4%	7.6%		100.0%
Allocation of COMMON hrs. prorated			339	534	65	89	147	59	57	40	104	7	(1,441)		0
Total hrs.-with COMMON allocated			4,462	7,031	850	1,175	1,931	771	747	529	1,375	89	0		18,960
Hrs. as % of total hrs.			23.5%	37.1%	4.5%	6.2%	10.2%	4.1%	3.9%	2.8%	7.2%	0.5%			100.0%

Year-To-Date Staff/Activity TIME Distribution in HOURS
For the Year Ended June 30, 20X2

Line Item	Job Title	Y-T-D Gross Salary	Program A Unrestr.	Program A Contract 101	Program A Contract 102	Program B Unrestr.	Program B Contract 101	Program C Unrestr.	Program C Contract 103	Program D Grant 204	Mgt. & General	Fund Raising	Other Common Cost Pools	Leave Cost Pool	Total
													Central Services	Line Item Cost Pool	
	Activity Codes Column in GAAP Statement of Activity Column in GAAP Stmt. of Functional Expenses		(100) A81 A	(120) A81 A	(130) A81 A	(200) A82 B	(220) A82 B	(300) A83 C	(320) A83 C	(420) A84 D	(510) A86 F	(710) A87 G	(910) Allocated	(920) Allocated	
7110	Exec. Director/CEO	\$ 65,000	329	428	54	374	104	0	0	0	445	96	0	250	2,080
7110	Director Admin./CFO/MIS	50,000	0	624	0	0	0	0	0	0	416	0	790	250	2,080
7120	Director, Program A	50,000	416	1,310	104	0	0	0	0	0	0	0	0	250	2,080
7120	Asst. Director, Program A	35,000	1,830	0	0	0	0	0	0	0	0	0	0	250	2,080
7120	Asst. Director, Program A	35,000	208	1,456	166	0	0	0	0	0	0	0	0	250	2,080
7120	Director, Program B	45,000	0	0	0	416	1,414	0	0	0	0	0	0	250	2,080
7120	Director, Programs C & D	45,000	0	0	0	0	0	666	686	478	0	0	0	250	2,080
7120	Support	25,000	312	208	208	208	0	0	0	0	374	0	520	250	2,080
7120	Support	20,000	0	1,414	208	0	208	0	0	0	0	0	0	250	2,080
7120	Support	15,000	915	915	0	0	0	0	0	0	0	0	0	250	2,080
	Total hours-UNALLOCATED	\$ 385,000	4,010	6,355	740	998	1,726	666	686	478	1,235	96	1,310	2,500	20,800
	Allocation of LEAVE hrs. prorated		548	867	100	137	235	90	95	65	170	13	180	(2,500)	0
	Total hrs.-WITH LEAVE ALLOCATED		4,558	7,222	840	1,135	1,961	756	781	543	1,405	109	1,490	0	20,800
	Hours as % of total hrs.		21.9%	34.7%	4.0%	5.5%	9.4%	3.6%	3.8%	2.6%	6.8%	0.5%	7.2%		100.0%
	Allocation of COMMON hrs. prorated		351	557	64	88	152	58	60	42	109	9	(1,490)		(0)
	Total hrs.-WITH COMMON ALLOCATED		4,909	7,779	904	1,223	2,113	814	841	585	1,514	118	0		20,800
	Hrs. as % of total hrs.		23.6%	37.4%	4.3%	5.9%	10.2%	3.9%	4.0%	2.8%	7.3%	0.6%			100.0%

Year-To-Date Staff/Activity TIME Distribution in PERCENTAGES
For the Year Ended June 30, 20X2

Line Item	Job Title	Y-T-D Gross Salary	Program A Unrestr.	Program A Contract 101	Program A Contract 102	Program B Unrestr.	Program B Contract 101	Program C Unrestr.	Program C Contract 103	Program D Grant 204	Mgt. & General	Fund Raising	Other Common Cost Pools	Leave Cost Pool	Total
													Central Services	Line Item Cost Pool	
	Activity Codes		(100)	(120)	(130)	(200)	(220)	(300)	(320)	(420)	(510)	(710)	(910)	(920)	
	Column in GAAP Statement of Activity		A81	A81	A81	A82	A82	A83	A83	A84	A86	A87	Allocated	Allocated	
	Column in GAAP Stmt. of Functional Expenses		A	A	A	B	B	C	C	D	F	G	Allocated	Allocated	
7110	Exec. Director/CEO	\$ 65,000	15.8%	20.6%	2.6%	18.0%	5.0%	0.0%	0.0%	0.0%	21.4%	4.6%	0.0%	12.0%	100.0%
7110	Director Admin./CFO/MIS	50,000	0.0%	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	0.0%	38.0%	12.0%	100.0%
7120	Director, Program A	50,000	20.0%	63.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	100.0%
7120	Asst. Director, Program A	35,000	88.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	100.0%
7120	Asst. Director, Program A	35,000	10.0%	70.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	100.0%
7120	Director, Program B	45,000	0.0%	0.0%	0.0%	20.0%	68.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	100.0%
7120	Director, Programs C & D	45,000	0.0%	0.0%	0.0%	0.0%	0.0%	32.0%	33.0%	23.0%	0.0%	0.0%	0.0%	12.0%	100.0%
7120	Support	25,000	15.0%	10.0%	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	18.0%	0.0%	25.0%	12.0%	100.0%
7120	Support	20,000	0.0%	68.0%	10.0%	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	100.0%
7120	Support	15,000	44.0%	44.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	100.0%
	Totals	\$ 385,000	192.8%	305.6%	35.6%	48.0%	83.0%	32.0%	33.0%	23.0%	59.4%	4.6%	63.0%	120.0%	1000.0%

Input to Universal Trial Balance
 (A) to salary line Item #7110
 (B) to salary line Item #7120

Year-To-Date Staff/Activity SALARY Distribution in DOLLARS
 For the Year Ended June 30, 20X2

Line Item	Job Title	Y-T-D Gross Salary	Program A Unrestr.	Program A Contract 101	Program A Contract 102	Program B Unrestr.	Program B Contract 101	Program C Unrestr.	Program C Contract 103	Program D Grant 204	Mgt. & General	Fund Raising	Other Common Cost Pools	Leave Cost Pool	Total
													Central Services	Line Item Cost Pool	
	Activity Codes	→	(100)	(120)	(130)	(200)	(220)	(300)	(320)	(420)	(510)	(710)	(910)	(920)	
	Column in GAAP Statement of Activity	→	A81	A81	A81	A82	A82	A83	A83	A84	A86	A87	Allocated	Allocated	
	Column in GAAP Stmt. of Functional Exp.	→	A	A	A	B	B	C	C	D	F	G	Allocated	Allocated	
7110	Exec. Director/CEO	\$ 65,000	\$ 10,270	\$ 13,390	\$ 1,690	\$ 11,700	\$ 3,250	\$ -	\$ -	\$ -	\$ 13,910	\$ 2,990	\$ -	\$ 7,800	\$ 65,000
7110	Director Admin./CFO/MIS	50,000	-	15,000	-	-	-	-	-	-	10,000	-	19,000	6,000	50,000
7110	Subtotal - officer salaries	\$ 115,000	\$ 10,270	\$ 28,390	\$ 1,690	\$ 11,700	\$ 3,250	\$ -	\$ -	\$ -	\$ 23,910	\$ 2,990	\$ 19,000	\$ 13,800	\$ 115,000
	Allocation of LEAVE salaries	-	1,400	3,871	231	1,596	443	-	-	-	3,260	408	2,591	(13,800)	-
	Total OFFICER salaries/LEAVE ALLOCATED	115,000	11,670	32,261	1,921	13,296	3,693	-	-	-	27,170	3,398	21,591	-	115,000
	Allocation of COMMON salaries	-	2,698	7,457	444	3,073	854	-	-	-	6,280	785	(21,591)	-	-
7110(A)	Total OFFICER salaries/COMMON ALLOCATED	115,000	14,368	39,718	2,365	16,369	4,547	-	-	-	33,450	4,183	-	-	115,000
7120	Director, Program A	50,000	10,000	31,500	2,500	-	-	-	-	-	-	-	-	6,000	50,000
7120	Asst. Director, Program A	35,000	30,800	-	-	-	-	-	-	-	-	-	-	4,200	35,000
7120	Asst. Director, Program A	35,000	3,500	24,500	2,800	-	-	-	-	-	-	-	-	4,200	35,000
7120	Director, Program B	45,000	-	-	-	9,000	30,600	-	-	-	-	-	-	5,400	45,000
7120	Director, Programs C & D	45,000	-	-	-	-	-	14,400	14,850	10,350	-	-	-	5,400	45,000
7120	Support	25,000	3,750	2,500	2,500	2,500	-	-	-	-	4,500	-	6,250	3,000	25,000
7120	Support	20,000	-	13,600	2,000	-	2,000	-	-	-	-	-	-	2,400	20,000
7120	Support	15,000	6,600	6,600	-	-	-	-	-	-	-	-	-	1,800	15,000
7120	Subtotal - other employee salaries	\$ 270,000	\$ 54,650	\$ 78,700	\$ 9,800	\$ 11,500	\$ 32,600	\$ 14,400	\$ 14,850	\$ 10,350	\$ 4,500	\$ -	\$ 6,250	\$ 32,400	\$ 270,000
	Allocation of LEAVE salaries	-	7,452	10,732	1,336	1,568	4,446	1,964	2,025	1,411	614	-	852	(32,400)	-
	Total OTHER salaries/LEAVE ALLOCATED	\$ 270,000	\$ 62,102	\$ 89,432	\$ 11,136	\$ 13,068	\$ 37,046	\$ 16,364	\$ 16,875	\$ 11,761	\$ 5,114	\$ -	\$ 7,102	\$ -	\$ 270,000
	Allocation of COMMON salaries	-	1,677	2,416	301	353	1,001	442	456	318	138	-	(7,102)	-	-
7120(B)	Total OTHER salaries/COMMON ALLOCATED	270,000	63,779	91,848	11,437	13,421	38,047	16,806	17,331	12,079	5,252	-	-	-	270,000
	Total ALL salaries/ALLOCATED	\$ 385,000	\$ 78,147	\$ 131,566	\$ 13,802	\$ 29,790	\$ 42,594	\$ 16,806	\$ 17,331	\$ 12,079	\$ 38,702	\$ 4,183	\$ -	\$ -	\$ 385,000
	*** Salaries as % of total salaries	100.0%	20.3%	34.2%	3.6%	7.7%	11.1%	4.4%	4.5%	3.1%	10.0%	1.1%	-	-	100.0%

*** Salaries as % of total salaries: a frequently used basis for allocation of allocable direct and indirect/administrative costs.