

COST ALLOCATION PLAN GUIDANCE

Each potential new sponsor agency is to submit a Cost Allocation Plan (CAP) with their application. The following is provided as guidance for organizations.

Purpose/General Statements

The purpose of the cost allocation plan is to summarize, in writing, the methods and procedures that your organization will use to allocate costs to various programs, grants, contracts or agreements. OMB Circular A-122, “Cost Principles for Non-Profit Organizations,” or OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments” or generally accepted accounting principles for for-profit entities (select one) establish the principles for determining costs of grants, contracts and other agreements with the Federal Government.

The Direct Allocation method as described OMB Circular A-122 or OMB Circular A-87 or generally accepted accounting principles for for-profit entities treats all costs as direct costs except general administration and general expenses. Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Only costs that are allowable, in accordance with the cost principles are to be allocated to benefiting programs.

General Approach

The general approach of allocating costs to particular funding sources is as follows:

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

Please read the following carefully, as the approval for some costs charged to CACFP may no longer be allowed.

1. **Disclosure of Costs:** All costs to be charged to CACFP must be disclosed in the budget. Failure to disclose costs that are not specifically identified in the budget are automatically disallowed. When uncertain if a cost is allowable, refer to the Financial Management – Child and Adult Care Food Program (FNS Instruction 796-2, Rev. 3).
2. **Specific Prior Written Approval:** Specific Prior Written Approval (SPWA) from CACFP is required for costs that are considered non-routine to program operations. These costs are identified in the budget by a red asterisk. CACFP must review such costs to determine if they are necessary, reasonable, and allowed. To obtain approval for costs requiring SPWA, sponsors must specifically identify the item, the amount to be charged to CACFP, and include appropriate supporting documentation. CACFP will then provide written approval for each cost that requires SPWA. Failure to secure SPWA will make the cost unallowable and may result in a recovery of administrative funds.

In some cases, SPWA is needed from USDA before the cost can be approved by CACFP. This includes costs for loans to and from CACFP, memberships in civic or community organization (such as the United Way), and any less-than-arms-length transactions. More information concerning specific costs requiring SPWA can be obtained by referring to FNS Instruction 796-2, Rev. 3 (on CACFP Center-based Component website). Failure to request approval for such costs will make them unallowable and may result in a recovery of administrative reimbursement.

ALLOCATION OF COSTS: METHODOLOGY

The CAP should be tailored to fit the specific policies of each agency. If your agency's policies are different in any of the categories, please specifically identify the methodology used. Although there are different methodologies available for allocating costs, the methodology used should result in an equitable distribution of costs to programs. Recipients must have a system in place to equitably charge costs. Additionally, as required by Office of Management and Budget Circular A-122, OMBA-87, or generally accepted accounting principles for for-profit entities (select one), time distribution records must reflect an after-the-fact determination of the actual activity of each employee. Considerations in determining an appropriate base for allocating costs include the relative benefits received, the materiality of the cost, and the amount of time and cost to perform the allocation.

In the Cost Allocation Plan narrative, identify your agency's methodology procedures for either charging costs directly or allocating costs to multiple grants:

- A. Food, Non-food, Food delivery or transportation of food – Direct cost documented with original, itemized receipts and invoices. Food delivery/transportation should be documented with mileage/odometer log. When direct costs benefit both allowable and unallowable activities this cost must be allocated.
- B. Personnel Labor- Documented with timesheets showing time distribution for all employees and allocated based on time spent on each program or grant. Salaries and wages are charged directly to the program for which work has been done. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Also see Worksheet 1 for determining salary costs allocated to CACFP. Costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see example 2).
 1. Fringe benefits (FICA, UC, and Worker's Compensation) are allocated in the same manner as salaries and wages. Health insurance, dental insurance, life & disability and other fringe benefits are also allocated in the same manner as salaries and wages.
 2. Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages.
- C. Travel Costs - Allocated based on purpose of travel. All travel costs (local and out-of-town) are charged directly to the program for which the travel was incurred. Travel costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Travel costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2).
Travel requires SWPA.
- D. Training/Conferences/Seminars – Allocated to the program benefiting from the training, conferences or seminars. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2).
- E. General Office expense (including office supplies and postage) - Allocated based on usage. Expenses used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).

- F. Printing (including supplies, maintenance and repair) - Expenses are charged directly to programs that benefit from the service. Expenses that benefit more than one program are allocated based the ratio of the costs to total expenses. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see example 4).
- G. Equipment – Equipment may be depreciated when the initial acquisition cost exceeds \$5,000. Items below \$5,000 can be expensed in the current year. Unless allowed by the awarding agency, equipment purchases are recovered through depreciation. Depreciation costs for allowable equipment used solely by one program are charged directly to the program using the equipment. If more than one program uses the equipment, then an allocation of the depreciation costs will be based on the ratio of each program's expenses to the total of such expenses (see example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see example 4). **Depreciation costs requires SWPA.**
- H. Insurance - Insurance needed for a particular program is charged directly to the program requiring the coverage. Other insurance coverage that benefits all programs is allocated based on the ratio of each program's expenses to total expenses (see example 4).
- I. Telephone/Communications - Long distance and local calls are charged to programs if readily identifiable. Other telephone or communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see example 4).
- J. Contracted Services Costs (such as consultants, accounting and auditing services) - Allocated to the program benefiting from the service. All professional service costs are charged directly to the program for which the service was incurred. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- K. Other (including rent, utilities, etc.) - Allocated based upon usable square footage. The ratio of total square footage used by all personnel to total square footage is calculated. Facilities costs related to general and administrative activities are allocated to program based on the ratio of program square footage to total square footage (see example 5). Also see worksheet 2 for determining CACFP allocation percentages for office space.
- L. Other Costs (including dues, licenses, fees, etc.) - Other joint costs will be allocated on a basis determined to be appropriate to the particular costs. (*Agency should describe methodology for each applicable cost*).
- M. Unallowable Costs – Costs that are unallowable in accordance with OMB Circular A-122, or A-87 or generally accepted accounting principles (select one) include alcoholic beverages, bad debts, advertising (other than help-wanted ads), contributions, entertainment, fines and penalties. Lobbying and fundraising costs are unallowable, however, are treated as direct costs and allocated their share of general and administrative expenses.

EXAMPLES OF ALLOCATION METHODOLOGYExample 1 Expense Amount = \$5,000

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

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

Example 2 Expense Amount = \$10,000

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

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

Example 3 Expense Amount = \$4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's expenses (direct costs other than salaries & benefits) to the total of such expenses, as follows:

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

Example 4

Expense Amount = \$8,000

Costs that benefit **all** programs will be allocated based on a ratio of each program's salaries to total salaries as follows:

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

Example 5

Facilities Expense Amount = \$10,000

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

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

Worksheet for Determining CACFP Cost of Center Space

(Complete if budgeting any rent to be paid with CACFP Funds)

1. Indicate if center is: Leased *Less than Arm's Length Transaction In Home Office

- Submit a copy of the lease for each location.
- For "Less than Arm's Length Transactions", only a monthly use fee is allowable.
- *A "Less than Arm's Length Transaction" is one under which one party to the transaction is able to control or substantially influence the action of the others. "Less than Arm's Length Transactions" must have specific prior written approval from CACFP.

2. Provide information pertaining to the Lessor/Landlord:

Lessor: _____

Address: _____

Contact Person: _____

Telephone Number: _____

3. Terms of the Lease: _____ Beginning Date _____ Ending Date

4. Lease Cost Allocation Plan:

a. Monthly Amount of Lease or Use Allowance _____

b. % of Space allocated to CACFP (CACFP Square Footage ÷ Total Space)

_____ CACFP Square Footage ÷ _____ Total Space = _____

c. % of Time the Space is Used for CACFP (CACFP Time Used ÷ Total Time Used)

_____ CACFP Time Used ÷ _____ Total Time Used = _____

d. Monthly Cost to CACFP (a x b x c = d) = _____

e. Annual Cost to CACFP (d x 12 months) = _____

f. Remainder of Cost to be Paid with Non-CACFP Funds = _____