

**BUSHWICK UNITED HOUSING  
DEVELOPMENT FUND  
CORPORATION**

**Cost Allocation Plan**

**February 2009**

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## COST ALLOCATION PLAN

### **A. Background and Purpose**

Bushwick United Housing Development Fund Corporation receives funds from several sources and for specific purposes. Through its contractual agreements with these funding agencies, it is explicitly stated that monies received must be used solely for the intended purpose(s). This aspect of appropriation law is adhered to and strictly complied with in our program operations. Further, when agencies such as NYC Children's Services (ACS) and the Department of Education (DOE) contracts with our organization, every effort is made to ensure the funds received are spent directly on providing the contracted services, and not for any other purpose, however closely related it may be.

This task would be quite simple for an agency that receives only one source of funding. However, Bushwick United Housing receives funds through our contractual agreement with ACS to provide Head Start services, the DOE to fund a Universal Pre-K Program, and the Child and Adult Care Food Program (CACFP) to provide meals to our children. The Corporation also engages in a collaborative agreement with United Community Services (UCS), an agency providing special education services to the Head Start Program. As a result of these relationships, the task of apportioning costs becomes more complex.

To effectively comply with the requirements of each funding source, it is necessary to decide on a way to have each of the programs (source of funding) bear its appropriate share of the costs for which there may be shared benefits. This is accomplished by using a process called *Cost Allocation*, and a written account of the methods, formulas and rules for this allocation is the *Cost Allocation Plan*.

The purpose of this Cost Allocation Plan, then, is to document in writing, the methods, procedures and rationale that Bushwick United Housing will utilize to allocate its costs to the various funding streams that support our organization. This plan is guided by OMB Circular NO. A-87, "Cost Principles for State, Local and Tribal Governments", OMB Circular No. A-122, "Cost Principles for Nonprofit Organizations and OMB Circular No. A-133, "Audit of States, Local Governments and Non-Profit Organizations."

The Cost Allocation Plan is based on allowable costs of OMB Circular No. A-87 and the direct and indirect cost method of OMB Circular No. A-122 which treats all costs as direct except general administrative, which is considered indirect, and dual benefit costs.

## **B. Direct (Program) and Indirect (Administrative) Costs - Definitions**

The Administrative part of the Code of Federal Regulations (CFR) that highlights the regulations governing the activities of a Head Start program can be found at 45 CFR 1301-1311. These regulations, as they relate to direct and indirect costs, are presented below.<sup>1</sup> These definitions are used to guide the allocation and computation of administrative and program shares of expenses incurred in the regular operations of Bushwick United Head Start.

### **45 CFR 1301.32 --Limitations on costs of development and administration of a Head Start program**

#### **45 CFR 1301.32(a) --General provisions**

**45 CFR 1301.32(a)(1)** -- Allowable costs for developing and administering a Head Start program may not exceed 15 percent of the total approved costs of the program, **unless** the responsible HHS official grants a waiver approving a higher percentage for a specific period of time not to exceed twelve months.

**45 CFR 1301.32(a)(2)** -- The limit of 15 percent for development and administrative costs is a maximum. In cases where the costs for development and administration are at or below 15 percent, but are judged by the responsible HHS official to be excessive, the grantee must eliminate excessive development and administrative costs.

#### **45 CFR 1301.32(b) --Development and administrative (Indirect) costs**

**45 CFR 1301.32(b)(1)** -- Costs classified as development and administrative are those costs related to the overall management of the program. These costs can be in both the personnel and non-personnel categories.

**45 CFR 1301.32(b)(2)** – Grantees **must** charge the costs of organization-wide management functions as development and administrative costs. These functions include planning, coordination

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<sup>1</sup> These definitions were adapted from that set out by the Head Start Fiscal Assistant.

and direction; budgeting, accounting, and auditing; and management of purchasing, property, payroll and personnel.

**45 CFR 1301.32(b)(3)** -- Development and administrative costs include, but are not limited to, the salaries of the executive director, personnel officer, fiscal officer/bookkeeper, purchasing officer, payroll/insurance/property clerk, janitor for administrative office space, and costs associated with volunteers carrying out administrative functions.

**45 CFR 1301.32(b)(4)** -- Other development and administrative costs include expenses related to administrative staff functions such as the costs allocated to fringe benefits, travel, per diem, transportation and training.

**45 CFR 1301.32(b)(5)** -- Development and administrative costs include expenses related to bookkeeping and payroll services, audits, and bonding; and, to the extent they support development and administrative functions and activities, the costs of insurance, supplies, copy machines, postage, and utilities, and occupying, operating and maintaining space.

**45 CFR 1301.32(c) --Program (Direct) costs**

**45 CFR 1301.32(c)(1)** -- Personnel and non-personnel costs directly related to the provision of program component services and component training and transportation for staff, parents and volunteers;

**45 CFR 1301.32(c)(2)** -- Costs of functions directly associated with the delivery of program component services through the direction, coordination or implementation of a specific component;

**45 CFR 1301.32(c)(3)** -- Costs of the salaries of program component coordinators and component staff, janitorial and transportation staff involved in program component efforts, and the costs associated with parent involvement and component volunteer services; and

**45 CFR 1301.32(c)(4)** -- Expenses related to program staff functions, such as the allocable costs of fringe benefits, travel, per diem and transportation, training, food, center/classroom supplies and equipment, parent activities funds, insurance, and the occupation, operation and maintenance of program component space, including utilities.

**45 CFR 1301.32(d) --Dual benefit costs**

**45 CFR 1301.32(d)(1)** -- Some costs benefit the program components as well as development and administrative functions within the Head Start program. In such cases, grantees (delegates) must

identify and allocate appropriately the portion of the costs that are for development and administration.

**45 CFR 1301.32(d)(2)** -- Dual benefit costs include, but are not limited to, salaries, benefits and other costs (such as travel, per diem, and training costs) of staff who perform both program and development and administrative functions. Grantees **must** determine and allocate appropriately the part of these costs dedicated to development and administration.

**45 CFR 1301.32(d)(3)** -- Space costs, and costs related to space, such as utilities, are frequently dual benefit costs. The grantee **must** determine and allocate appropriately the amount or percentage of space dedicated to development and administration.

**45 CFR 1301.32(e)** -- Relationship between development and administrative costs and indirect costs

**45 CFR 1301.32(e)(1)** -- Grantees **must** categorize costs in a Head Start program as development and administrative or program costs. These categorizations are separate from the decision to charge such costs directly or indirectly.

**45 CFR 1301.32(e)(2)** -- Grantees must charge all costs, whether program or development and administrative, either directly to the project or as part of an indirect cost pool.

**45 CFR 1301.32(f)** -- Requirements for compliance

**45 CFR 1301.32(f)(1)** -- Head Start grantees must calculate the percentage of their total approved costs allocated to development and administration as a part of their budget submission for initial funding, refunding or for a request for supplemental assistance in connection with a Head Start program. These costs may be a part of the direct or the indirect cost pool.

**45 CFR 1301.32(f)(2)** -- The Head Start grant applicant shall delineate all development and administrative costs in its application.

**45 CFR 1301.32(f)(3)** -- Indirect costs which are categorized as program costs must be fully explained in the application.

**45 CFR 1301.32(g)** -- Waiver

**45 CFR 1301.32(g)(1)** -- The responsible HHS official may grant a waiver of the 15 percent limitation on development and administrative costs and approve a higher percentage for a specific period of time not to exceed twelve months. The conditions under which a waiver will be considered

are listed below and encompass those situations under which development and administrative costs are being incurred, but the provision of actual services has not begun or has been suspended.

A waiver may be granted when:

**45 CFR 1301.32(g)(1)(i)** -- A new Head Start grantee or delegate agency is being established or services are being expanded by an existing Head Start grantee or delegate agency, and the delivery of component services to children and families is delayed until all program development and planning is well underway or completed; or

**45 CFR 1301.32(g)(1)(ii)** -- Component services are disrupted in an existing Head Start program due to circumstances not under the control of the grantee.

**45 CFR 1301.32(g)(2)** -- A Head Start grantee that estimates that the cost of development and administration will exceed 15 percent of total approved costs must submit a request for a waiver that explains the reasons for exceeding the limitation. This must be done as soon as the grantee determines that it cannot comply with the 15 percent limit, regardless of where the grantee is within the grant funding cycle.

**45 CFR 1301.32(g)(3)** -- The request for the waiver must include the period of time for which the waiver is requested. It must also describe the action the grantee will take to reduce its development and administrative costs so that the grantee will be able to assure that these costs will not exceed 15 percent of the total approved costs of the program after the completion of the waiver period.

**45 CFR 1301.32(g)(4)** -- If granted, the waiver and the period of time for which it will be granted will be indicated on the Financial Assistance Award.

**45 CFR 1301.32(g)(5)** -- If a waiver requested as a part of a grant application for funding or refunding is not approved, no Financial Assistance Award will be awarded to the Head Start program until the grantee resubmits a revised budget that complies with the 15 percent limitation.

### **C. Basis of Identifying Administrative and Program Costs**

Administrative costs are categorized by function and budget category. Each approved head start budget category is examined for their contribution to either development and administrative expenses or program costs. Where a dual benefit is identified, appropriate formulas are defined and the respective shares of these costs calculated.

## **D. Direct and Indirect Cost Allocating Methodology**

The allocating methodology used by Bushwick United Housing Development Fund Corp. for the purposes of apportioning direct and indirect, as well as dual benefit costs is detailed below. The methodology follows each line item in the Head Start budget and is later extended to the other programs for which there are shared costs.

It is important to note that Bushwick United Housing has unique characteristics that ultimately affect the identification, computation and rationale of program (direct) and administrative (indirect) costs as well as the allocation of shared costs to other funding streams. The organization operates at five (5) locations with its administrative offices located centrally. We operate twenty one (21) classrooms and have a personnel composition of eighty four (84) people with clearly defined functional roles.

The direct and indirect cost allocating methodology by budget line item of the Head Start program is as follows. Budgeted numbers are shown in **Appendix 1**.

*A. Compensation for Personnel Services* – With the exception of the custodian and assistant custodian categories of personnel, there are no dual benefit personnel costs. Job functions are clearly either administrative or programmatic (a copy of job descriptions will contain functional details). Following from **45 CFR 1301.32(b)(3)** which identifies janitors (custodians) for administrative office space as having an administrative cost component, we utilized a time and motion study to ascertain the average time spent cleaning and maintaining the administrative office spaces by the custodians.<sup>2</sup> Also, since only one custodian and one assistant are assigned to work in administrative office spaces, their administrative share of salaries for custodians is derived as:

$$ASC = \frac{TW_{adm}}{TTW} \times CS$$

Where, *ASC*= Administrative share of custodial salaries expense for the pay period,  $TW_{adm}$  = the average time spent working in an administrative space during the pay period, *TTW* = Total time

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<sup>2</sup> See Time and Motion Study results attached in Appendix 2.

worked for the pay period and CS is the salary paid to the custodian or helper for the pay period. Accompanying Fringe expenses are calculated using the same methodology.

The following is an illustrative example: Example 1

Total bi-weekly Salary Expense (CS) = \$950.00

Average time spent cleaning administrative offices = 5 hours

Total time for pay period = 70 hours

Administrative share of salary expenses = (5/70)\* \$950 = \$ 66.50

The direct (program) share is then simply the difference between the total and indirect share.

B. Rent and Mortgage – The shared costs for our mortgage is based primarily on the square foot percentages of designated administrative space and designated program space. The location of 136 Stanhope Street, Brooklyn NY 11221 houses the administrative offices for which a mortgage is paid. The other rental locations are programmatic spaces only. Administrative offices constitute the following:

Secretary’s Office	- 19.5 ft x 12.25 ft = 238.90 sq. ft
Administrative Conference Room	- 21.6 ft x 16.25 ft = 351 sq. ft
Assistant Director’s Office	- 13 ft x 19.5 ft = 253.50 sq. ft
Administrative Director’s Office	- 10.5 ft. x 23.1 ft. = 242.55 sq. ft
Fiscal Office	- 13 ft. x 13.1 ft. = 170.30 sq. ft

Total Administrative space square footage = 1256.25 square feet.

The general allocation methodology for the administrative share of monthly mortgage payments is:

$$AMS = \frac{SF_{ADM}}{TSF} \times MP$$

Where, AMS is the administrative share of the mortgage expense,  $SF_{ADM}$  is the square footage of administrative space, TSF is the total square footage of building space and MP is the monthly mortgage expense.

For the location at 136 Stanhope Street, the total square footage is 18622 sq. feet.

Administrative Share of Mortgage is: (1256.25/18622) x \$10,310.96 = \$695.58

Rental costs are entirely programmatic as no administrative spaces exist at these sites.

C. Utility Costs – These costs are allocated based on a similar methodology to that of the mortgage expenses. The administrative share of the utility cost (energy and gas) for the month is calculated as a percentage of the cost required to maintain the administrative space in a functional manner during this time. As a result, the admin share of utility costs is:

$$\begin{aligned} & (1256.25/18622) \times \text{TUC} \\ & = 6.74 \% \text{ of TUC} \end{aligned}$$

Where TUC is the total utility expenses incurred in the operation of the building that houses the administrative offices (136 Stanhope Street) for any particular month. The remaining utility expenses are for program operations and are direct costs.

D. Telephone – Telephone costs are much more difficult to separate into the administrative and program components. In the ideal situation, each of the administrative personnel would have a separate telephone line with charges being easily identified on that line. However, as in the case of Bushwick United Head Start, where a total of some 22 lines exist with at least four of those shared by both administrative and programmatic personnel, it becomes more difficult.

The following method is used to compute the administrative share of telephone charges:

- a) For the Administrative Director's cellular phone we charge 100 percent administrative.
- b) For all sites other than the main administrative location, phone charges are 100 percent programmatic.
- c) Where the administrative offices are located, the share of administrative costs are:

$$\left( \frac{L_{ADM}}{L_{TOT}} \times \frac{P_{ADM}}{P_{TOT}} \right) \times TEL_{ML}$$

Where,  $L_{ADM}$  is the number of lines that are potentially used for administrative use,  $L_{TOT}$  is the total number of phone lines used at the location housing administrative personnel,  $P_{ADM}$  is the number of administrative personnel actually using phone lines and  $P_{TOT}$  is the total number of personnel using phones at the main administrative location.  $TEL_{ML}$  is the monthly telephone charge for the main administrative location. .

The administrative share of telephone charges at the central office is then calculated as:

$$[(5/8) \times (5/9)] \times TEL_{ML} = 0.34 \times TEL_{ML}$$

Charges for internet usage follow a similar methodology.

E. Maintenance and Repair – Charges for minor maintenance and repair (M+R) are categorized as either administrative or programmatic depending on which space or usage benefits from the expense. For example, if a lock breaks and needs to be replaced in the classroom entrance door, that expenditure is charged as a program expense. Conversely, if the lock was replaced in the Director’s office it would be designated an administrative expense. These costs are categorized as non-dual, and are informed by purchase orders or (Delegate Agency Payment Release Authorizations) DAPRA.

F. Equipment Rental – These costs have been identified as dual benefit costs, since this equipment benefits both the program and administrative areas. In the case of Bushwick United Head Start, each site has a designated machine, with two (2) of the seven (7) rental machines being used for administrative purposes. As a result, the ratio of administrative use as a percentage of total monthly rental charges for photocopying equipment is charged to administrative expenses.

$$ARE = \frac{RE_{ADM}}{RE_{TOT}} \times TRE$$

Where,  $ARE$  is the monthly rental charged to administrative expenses,  $RE_{ADM}$  is the number of machines used by the administrative offices,  $RE_{TOT}$  is the total number of machines rented and  $TRE$  is the total monthly rental expense for photocopying equipment.

Administrative share of rental expenses are then:  $(2/7) * TRE$  or  $0.28TRE$

G. Equipment Purchase - Equipment, defined as any article of tangible, nonexpendable, property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit ([45 CFR 74.2](#) or [45 CFR 92.3](#)) are charged directly to the component that incurs such cost. The use of DAPRAs and purchase orders and where the item is needed determines whether it is categorized as direct or indirect expenditure.

H. Office Supplies – These costs are charged directly to administrative expenses and are documented using purchase orders and receipts.

I. Classroom Supplies – The supplies used in the classroom are necessary program expenses.

J. Postage – This is an administrative expense.

K. Local and Out-of-Town Travel - These costs are charged as either administrative or program depending on which functionally approved member of staff is traveling out of town.

L. Administrative Contractual fees – This is an indirect (administrative) expense.

M. Consultants – Depending on the nature of the contract they are either charged directly or indirectly. The nature and scope of their contracts are used as a source for determining this.

N. Training and Staff Development – Based on who is receiving the training and for what purpose, they can be either direct or indirect.

O. Parent Activity Fund – Again, this is solely a programmatic cost.

P. Miscellaneous Costs – Costs in this category include children’s trips, field trips, substitute teachers, audit fees, bank fees, advertising, accounting services, uniform expenses and local staff travel. Consistent with the definition of administrative and programmatic costs, audit fees, bank fees and advertising are deemed administrative expenses. Local staff travel is categorized as either administrative or programmatic, depending on which staff member incurs the expense. The other items of cost are considered programmatic.

## **E. In-Kind (Non-Federal Share)**

The calculation of the non-federal share of space for the site located at 77 Wilson Avenue, Brooklyn NY 11237 is guided by 45 CFR 74.23 (g) (2) and the Head Start Memorandum for Delegate Agencies #983, the method of computation is as follows:

The annual non-federal match of donated real property (where the donor transfers title to the delegate agency) is calculated as the annual depreciated value of the building (25 yr. straight line method) plus the annual cost per square foot of the outdoor play area.

In numbers this is:

Value of building per square footage =  $9,620 \times \$36.00 = \$346,320$

Annual Value (depreciated over 25 years) =  $\$346,320/25 = \$13,852.20$

Annual Value of playground space =  $7000 \times \$9.00 = \$63,000$

Total annual non federal space contribution =  $\$13,852.20 + \$63,000 = \$76,852.20$

No New York City Housing Authority (NYCHA) sites are used in the calculation of In-Kind, and for the location at 153 Johnson Avenue, Brooklyn NY 11206, the fair market rental value in excess of the rent is used as the in-kind contribution of space. All space contributions are program costs. Volunteers are categorized by the functions they perform and are guided by the definitions of administrative and program costs as highlighted above.

## **F. Cost Allocation Among Different Funding Sources**

Our allocating methodology distributes direct and indirect costs within the various budget categories of the Head Start Program. Now, to make our allocation plan complete for the corporation as a whole, we need to extend this allocating scheme across all funding streams. To keep the plan as simple as possible, mathematical methods of computation will try to be as reasonable and equitable as possible while assigning the fair share of costs to the specific funding stream that derives shared benefits.

Each of the major "cost centers" or cost items in the agency's budget are looked at to determine a reasonable, fair way to allocate the costs of that shared resource. The methods for allocating the cost of different categories (office space, for example) may be quite different than the method for staff, but common terms and simple formulas are utilized to determine fair shares. The basis for allocating costs within specific cost categories (e.g. personnel, space, supplies) and a general description on how expenditures within the major cost categories are allocated will be recorded in the Agency's accounting system.

## **G. Sources of Funding**

Bushwick United Housing Development Fund Corporation receives funds from the following sources:

- 1) Grant funds for its Head Start Program from the Administration for Children's Services (ACS), through a contractual arrangement. Annual budget submissions are made to ACS for approval and revenues are provided on an expenditure reimbursement basis with an initial advance given at the beginning of the program year. Monthly reports are required to track revenues and expenditures.
- 2) Within the Head Start Program, there is a component funded by the Child and Adult Care Food Program (CACFP). CACFP is a Federal program that provides healthy meals and snacks to children. Working to enhance Head Start, it reimburses the Head Start Program for meal costs. Payments are received based on the type of meal served and the child's eligibility for free, reduced-price, or paid meals. The reimbursement includes any administrative salaries charged to the program and any compensation for employees working to provide food services to the program. Compensation, however, is limited to no more than 15 percent of the funding (total reimbursement) from CACFP.
- 3) Bushwick United Housing is also contracted with the NYS Department of Education to provide Universal Prekindergarten services to eligible four year olds. The children served represent a subset of our head start children and results in an overlap of benefits for which costs must be shared.
- 4) The corporation is also engaged in a collaborative agreement with another provider of special education and therapeutic services to children. This agency, United Community Services does not provide funding to the Head Start Program and limits itself to the provision of services. However, since space and utilities are used by this agency, there is a sharing of these costs.

## **H. Basis of Allocation**

The basis used to allocate costs among the various grants and sources of funding is premised on the following conditions:

1. All allowable costs that can be charged directly to the funding stream on an identifiable budgetary line will be.
2. Allowable costs that can be identified as benefiting more than one program will be prorated individually using a base that is linked to usage and benefits derived from the activity that the cost is attributed to.
3. All other allowable general costs (costs that benefit all programs and cannot be identified to a specific program) will be allocated to programs, grants, etc. using a base that results in the most reasonable and equitable distribution.

## **I. Cost Allocation Methodology**

The allocation methodology used by Bushwick United Housing Development Fund Corp. is detailed below. The computation of percentages and budgetary numbers are presented in **Appendix 3**.<sup>3</sup> Where possible, the allocation methodology details each line item in the Head Start budget and the shared cost (if any) computation method.

*A. Compensation for Personnel Services* – Annual remuneration for employees are based on their time spent working on each program. Documented with timecards, salaries for all employees are charged directly to the program for which work has been done. Consequently, for an employee who works on both programs, his/her total wage (salary) is allocated between the two programs in the ratio of time worked.<sup>4</sup> More specifically, for employees that are paid by both ACS and DOE, their time cards would reflect the seven (7) hours paid by ACS and the additional time (ranging from half an hour to two and a half hours) paid by DOE.

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<sup>3</sup> These numbers are based on the current budget year, and will be revised annually.

To avoid any chance of one program unfairly compensating an employee for time worked on another program, and the situation where both funding streams are paying an employee for the same time the corporation ensures that an employee does not overlap the time worked on two programs but rather extend their hours of work. All timekeeping records support this.

Generally, then, the total compensation for all employees can be represented by the following equation:

$$TC = \sum_{i=1}^n (TW_{HS} + TW_{CACFP} + TW_{UPK})_i$$

Where, TC= Annual Total of Salaries and Wages,  $\sum$ = The sum of  $n$  employees compensated,  $TW_{HS}$  = Salary paid to an employee by the Head Start Program,  $TW_{CACFP}$  is the salary paid to an employee by CACFP and  $TW_{UPK}$  is the salary paid to an employee by the UPK program.

Fringe benefits (FICA, UC, and Worker's Compensation) Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages.

B. Rent – The shared costs for rent is based primarily on the square footage used and the duration of such usage. Rental costs are shared among the following programs:

- Bushwick United Head Start Program;
- Universal Pre-Kindergarten (UPK); and
- United Community Services.

Rental costs are shared for those sites for which rent is paid. These include:

- 1) 136 Stanhope Street
- 2) 331 Central Avenue;
- 3) 153 Johnson Avenue; and
- 4) 178 Leonard Street

The general allocation methodology is as follows:

$$TRC = RC_{UPK} + RC_{UCS} + RC_{HS}$$

Where, TRC is Total rental costs and RC with the corresponding abbreviated subscript is the rental cost of each individual program. The Rental cost (RC) of each program can be further expressed as:

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<sup>4</sup> Our organization has only two contracts, one with ACS and the other with DOE.

$$RC_x = \frac{SQ_x}{TPSQ} \times \frac{t_x}{tt} \times TRL$$

Where,  $x$  denotes the particular program, SQ is the square footage occupied, TPSQ is the total square footage used by the program,  $t$  is the number of days that a particular program uses the space,  $tt$  is the annual total calendar days and TRL is the total rental liability.

### Specific Computation Example

The total annual rental liabilities for the corporation are \$123,732; \$11,956; \$29,584 and \$9,600 respectively, for the sites shown below. The UPK program shares the annual rental costs in the following manner:<sup>5</sup>

$$136 \text{ Stanhope } RC_{UPK} = (2460/18,622) \times (180/365) \times \$123,732$$

$$= 0.13 \times 0.49 \times \$123,732 = \mathbf{\$7,882.00}$$

$$331 \text{ Central } RC_{UPK} = (1295/7626) \times (180/365) \times \$11,956$$

$$= 0.17 \times 0.49 \times \$11,956 = \mathbf{\$996.00}$$

$$153 \text{ Johnson } RC_{UPK} = (749/5665) \times (180/365) \times \$29,584$$

$$= 0.13 \times 0.49 \times \$29,584 = \mathbf{\$1,885.00}$$

$$178 \text{ Leonard Street } RC_{UPK} = (640/3200) \times (180/365) \times \$9,600$$

$$= 0.20 \times 0.49 \times \$9,600 = \mathbf{\$941.00}$$

**Total UPK Annual Rental Liability = \$11,704.00**

And, for United Community Services (UCS), which occupy space at the following sites:

$$136 \text{ Stanhope Street: } RC_{UCS} = (461/20,000) \times (365/365) \times \$123,732$$

$$= 0.023 \times 1 \times \$123,732 = \mathbf{\$2,846.00}$$

$$331 \text{ Central Avenue: } RC_{UCS} = (644/7626) \times (365/365) \times \$11,956$$

$$= 0.08 \times 1 \times \$11,956 = \mathbf{\$956.48}$$

$$178 \text{ Leonard Street: } RC_{UCS} = (290/3200) \times (365/365) \times \$9,600$$

$$= 0.09 \times 1 \times \$11,956 = \mathbf{\$864}$$

**Total UCS Annual Rental Liability = \$ 4666.48**

<sup>5</sup> Note: While the actual cost numbers are subject to change depending on the space used by UPK, the allocation methodology remains the same. This is also true for the other programs.

C. Utility Costs – These costs are allocated based on a similar methodology to that of rent. The total utility costs charged to a particular program depend on their usage rate, which is measured according to occupancy and duration. The specific cost for electricity and gas is charged based on square footage of space used and for how long that space is used. Substituting in the formula for total rental costs, we can derive total utility costs as:

$$TUC = UC_{UPK} + UC_{UCS} + UC_{HS}$$

Where, TUC is Total utility costs and UC, like above represents the utility cost of each individual program. The utility cost (UC), then, of each program can be further expressed as:

$$UC_x = \frac{SQ_x}{TPSQ} \times \frac{t_x}{tt} \times TUL$$

Where TUL now represents the total utility costs incurred in any time period.

Hence, using the above assumptions, the utility cost for the UPK program will be calculated as:

$$\begin{aligned} UC_{UPK} &= (0.06) \times TUC \text{ for 136 Stanhope} \\ &\quad (0.09) \times TUC \text{ for 77 Wilson} \\ &\quad (0.06) \times TUC \text{ for 153 Johnson} \end{aligned}$$

Hence, the Average share = 0.07 or 7% of the TUC for the program.

A similar methodology is applied to the other program components. Since TUC is variable and subject to change, the actual dollar contribution may change but the percentages remain constant. And, the liability of the Head Start program is simply the difference between the total and the sum of the other two shared components. For 77 Wilson Avenue, UCS pays for utilities based on a square footage space usage of 455 square feet as a percentage of the total square footage of 9620sf.

D. Telephone – Telephone costs are charged directly to the particular program where applicable.

In the case of UCS, the phones utilized by this Agency are paid for and maintained by them. In the case of UPK and BUHS where joint costs are present, telephone charges are prorated on the basis of daily time utilization and program year, using the following method:

$$\begin{aligned} PHC_{UPK} &= (2.5/8) \times (180/365) \times TPHC \\ &= 0.15 \text{ or } 15\% \text{ of TPHC} \end{aligned}$$

Where,  $PHC_{UPK}$  is the phone charges borne by the UPK program and TPHC is the total phone charges of both UPK and the Head Start Program. Logically, then the costs borne by the latter agency is the difference between total costs and the UPK share.

E. Maintenance and Repair – Charges for minor maintenance and repair (M+R) are charged directly to the program that incurs such cost (where applicable). However in the case of joint costs, the basis for allocating individual component shares is the square footage and time utilization rate as discussed above. So following from the rent and utilities method, costs for minor repairs and maintenance are allocated using the formula:

$$MRC_x = \frac{SQ_x}{TPSQ} \times \frac{t_x}{tt} \times TMRC$$

where,  $MRC_x$  is the maintenance and repair cost of program X, SQ is square footage (as above),  $t$  is the annual number of days that program X runs,  $tt$ , is the total days in the year and TMRC is the annual total maintenance and repair costs. It should be noted that since M+R costs are sometimes unpredictable, the cost allocation ratios could be directly applied in any current period for which the liability was incurred.

F. Equipment Rental – The UCS program manages their rental costs for office equipment and so, these are not shared with any other program. For the remaining two, rental costs, specifically for photocopying equipment are shared on the basis of the time utilization rate similar to that derived above, but modified to incorporate the daily share for each program. So, for an annual equipment rental charge of \$23,000 the shares for UPK and BUHS are derived as:

$$\begin{aligned} \text{UPK} &= (2.5/8) \times (180/365) \times \text{Total Equipment Rental Cost} \\ &= 15\% \text{ of Total Equipment Rental Cost} \end{aligned}$$

G. Equipment Purchase - Equipment, defined as any article of tangible, nonexpendable, property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit (45 CFR 74.2 or 45 CFR 92.3) are charged directly to the program that incurs such cost. Further, guided by the Head Start Act Section 640 (a)(5)(E)(ii), 45 CFR 74.34 and 45 CFR 74.35 for requirements relating to Equipment and Supplies, respectively, “when there is a collaborative activity between Head Start and another Federal child care or early childhood education program, the costs of shared resources in two cost categories, equipment and non-consumable supplies, do not have to be allocated between the programs, so long as Head Start is the predominant source of funding for the activity.” Notwithstanding this, both the collaboration and UPK are directly responsible for funding their equipment purchases as defined here.

H. Office Supplies – These costs are charged directly to the individual award or program. Since these costs are easily identifiable and discrete, usage and storage is separate, it can be easily billed to an individual program.

I. Classroom Supplies – Similar to office supplies, the supplies used in the classroom are charged directly to the individual grant.

J. Postage – Each program has an allocated budget for postage that is used specifically for courier, mail and postage purposes. It can be identified and expensed directly to a specific grant.

K. Local and Out-of-Town Travel - Again, these costs are charged directly to the grant for which the cost is incurred. Only one grant permits out of town travel.

L. Professional and Membership fees – The Head Start Program is the only one that incurs costs in this category.

M. Consultants – These costs are not shared and charged to the individual program that solicits the services of consultants. Consultant contracts are very specific and the scope of work identifies the benefiting grant.

N. Training and Staff Development – Only the Head Start program has a budget line for this purpose.

O. Parent Activity Fund – Again, this is solely a head start program cost.

P. Miscellaneous Costs – Costs in this category include children’s trips, substitute teachers, audit fees, bank fees, advertising, accounting services, and other minor miscellaneous items. Both the UPK program and the Head Start Program have a discrete identification of these costs, which are usually billed directly to their respective grant awards. There is no sharing of costs for this category.

## **J. Summary**

The formulas and methodology presented in this document attempts to present a fair account of the way Bushwick United Housing Development Fund Corporation conducts its cost allocating activities between direct and indirect costs as well as how costs are allocated to different sources of funding. This document is a general guide and is subject to periodic review, modification and approval by the Governing Body (the Board, of Directors), the Delegate Agency Policy Council, the Administration for Children's Services (ACS), the DOE, the management of the Head Start Program, our Partners and any other party that may be affected by the apportioning of expenses detailed above.

It must be remembered that budgetary allocations for each program change annually and sometimes even during the fiscal year. As such, the formulas presented above will be used to derive any modification to the cost shares in lieu of the amended (modified) budgets for each individual program. In the case where costs are fixed, then the allocation will be constant. This is usually true for rent and leasing/rental costs.

Since all costs can be readily identified and allocated, the need for an indirect cost pool or an indirect cost agreement is precluded. Should the structure of financing change then any necessary changes that must be made to this Plan will be done and the necessary approvals sought.