

Allocating Program and Overhead Expenses

The Lloyd A. Fry Foundation understands that general administrative and overhead expenses are important to the success of our grantees' programs, and we actively support these essential costs. Understanding how to allocate indirect and administrative costs to programs or overhead can be confusing. The table on the next page illustrates the ways line item expenses can be allocated. It is intended to be used as a guide. We encourage grantees to use it as they consider the full cost of delivering high quality, effective programs.

The table lists typical expense items of a nonprofit organization. Most of these expenses are commonly reported on the I.R.S Form 990. Not all projects or organizations will have all of the line item expenses listed. Similarly, additional line items may be applicable. These should be discussed in your budget narrative.

Expenses are categorized as program-direct, program-administrative or indirect, and as general administrative or overhead (these categories are explained in detail below the table). There are generally two types of program-related expenses: direct; and administrative or indirect. Expenses which are not directly related to program services are often referred to as general administrative or overhead.

Many line items can be allocated to more than one category. For example, program-related administrative or indirect expenses can be allocated to either programs or general administration. When allocated to a particular program, they are part of program expenses; and when allocated to support general management of the organization, they become part of overhead. How an expense is most appropriately allocated depends on the program and the organization, as well as on the nature of the expense.

[TABLE APPEARS on NEXT PAGE]

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	Program Expenses		General Administrative or Overhead Expenses
	Program Direct	Program Administrative or Indirect	
<u>Salary and Fringe (fica, employee insurance, workman's comp, 403b, tuition reimbursement)</u>			
Organization Management	x		x
Administrative Support Staff		x	x
Program Staff	x		
Development/Fundraising Staff			x
Legal fees			x
Accounting and Audit			x
Other professional fees, consultants	x		x
Interest			x
Depreciation, depletion, etc.		x	x
Occupancy		x	x
Commercial Insurance			x
Travel, conferences, and meetings	x	x	x
Printing and publications	x	x	x
Equipment rental		x	x
Office supplies		x	x
Program Supplies	x		
Professional Development		x	x
Technology/Internet		x	x
Telephone		x	x
Postage	x	x	x
Dir & Off liability insurance			x
Publications		x	x
Subscriptions		x	x
Dues & memberships		x	x
Temporary help	x	x	x

Program Expenses - Direct:

These are expenses that are incurred to support a specific program

Program Expenses - Administrative or Indirect:

These are program expenses that can be allocated by actual use or allocated to a program by percentage or formula based on:

- a) square footage occupied by program, administrative, and management staff
- b) program/department staff count
- c) actual usage as measured by machine counts, logs
- d) percentage of program salaries in relation to the entire organization

The methods used should be reasonable, based on the nature of the expense being allocated, and should be applied on a consistent basis across all programs.

General Administrative or Overhead Expenses:

These are expenses that support the overall organization. They typically include management compensation, accounting and audit, interest, commercial insurance, legal fees, and an allocation of program administrative support and expenses.