

COST AREAS & COST CATEGORIES

**For Completing
Rate Setting Budget Workbooks
FFY 2017**



Cost Areas and Cost Categories

This is additional guidance on what to include or not include in specific cost categories within specific cost areas in the rate setting budget worksheets. Some cost categories (examples: depreciation or interest) may be included in more than one cost area. Use detailed line items in the cost areas to prevent duplication and ensure the nutrition provider accounts for all necessary costs. For example: List the specific items depreciated, such as a steam table, to ensure it is included only once (under equipment), and not another category of depreciation such as building/occupancy.

PERSONNEL

Salaries:

This category includes salaries and wages only. Expenses listed for salaries and wages, whether treated as direct costs or indirect costs, must be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to programs must be supported by personnel activity reports. The cost for each employee must be listed separately identified by job title.

Payroll Taxes and Benefits:

This category includes employer payment of what are commonly called fringe benefits:

- unemployment insurance
- workers compensation
- health insurance
- retirement/pension contributions
- Federal Insurance Compensation Act contributions

The list of benefits above is not all-inclusive. If the employer pays premiums for a type of benefit (for example-dental insurance) the type of benefit must be listed on a separate row within this cost category. Each type of benefit should be listed separately.

Ensure the employee portion deducted or withheld from the employee's salary or wages gross income is not reported in this category and the "Salaries" category. This category is for taxes and benefits paid by the EMPLOYER.

Housing and personal living expenses for/of the organization's officers are unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees.

Contract Staff:

The provider must maintain documentation of the contract staff scope of work and be able to demonstrate the relationship between the contracted work and the operation of the program(s) to which the cost is allocated.

Professional Development

Conference:

The costs of attending meetings and conferences, including the cost of conference registration, transportation, meals and other cost related to attending the meeting or conference should be listed here. The conference must be associated with the program to which it is charged.

List each conference and identify those that occur out-of-state, including necessity of out-of state travel to secure the covered information. The cost of conferences on fund raising, political action or other topics not necessary to delivery of services/enhancement of services cannot be allocated to the Home Delivered Meals or Congregate Meals program. If a portion of the conference registration cost includes social or entertainment activities; that portion of the cost is unallowable and should not be included as a cost of program delivery.

Dues:

Dues included here must be limited to those necessary for membership in business, professional, and technical organizations related to the provision of program services. If the membership organization is not related to a program, then none of the costs of the dues would be allocated to that program.

Costs of membership in civic or community organizations are allowable if there is a relationship to the program(s) to which the dues are allocated. Costs of membership in any country club or social or dining club or organization are unallowable for funding as part of meal program rates. List each organization to which dues are paid.

Materials:

The cost of recorded media presentations, course books or other items used for professional development may be included in this cost category. Each material item should be listed.

MEALS/FOOD

Raw Food

This category includes cost of menu items and ingredients to prepare the meals on the menu. If the provider is preparing meals and freezing them for later delivery or consumption, the associated costs are recorded in this category, not as the purchase of frozen meals.

Do not include the cost of any items that are not on the menus approved by the dietician/nutritionist or the cost of food items for other purposes, such as volunteer recognition events, or snacks for drivers.

Purchased Meals

This category is used to record the cost of purchasing frozen, chilled, shelf stable or hot prepared meals purchased from external suppliers. This category *does not* include the cost of preparing meals at one location operated by the provider, then packaging them for further distribution at other provider operated locations. The cost of ingredients for meals prepared and frozen by the provider is recorded under raw food. List each type of meal purchased and the costs of each on a separate row.

Do not include the cost of any items that are not on the menus approved by the dietician/nutritionist or the cost of any food items for other purposes, such as volunteer recognition events, or snacks for drivers.

Freight:

Charges for shipment/delivery of raw food or supplies to the nutrition provider.

Storage Cost:

Storage costs include the costs associated with the rental of both refrigerated and non-refrigerated space used to hold food or supplies until prepared or used.

Do not include the cost of insulated carriers used to transport meals to consumers, or the cost of meal packaging in this category.

Consumables:

This is the category in which to list equipment costing less than \$5,000 per item. The cost of paper and plastic goods (including meal packaging), pots, pans and cooking utensils should be included in this category. (The same pots and pans or equipment purchased in a prior year should not be listed on a current year budget, even if still in use. The cost is incurred in the year purchased.)

This consumable cost area and cost category is for items related to food/meals only. Consumable supplies of other types such as janitorial supplies (including those used to prepare food preparation surfaces) or office supplies are recorded in other cost areas.

Other:

List only items not covered in Raw Food, Purchased Meals, Freight, Storage or Consumables that are necessary to the purchase of food and meal items. List individually all items that cost more than \$100 per item.

EQUIPMENT

Depreciation:

This category includes the depreciation expense associated with major equipment purchases costing more than \$5000. Item, year purchased, and item cost must be shown.

Depreciation may not be claimed on an item if the purchase was fully funded through a state or federal funding source, or be claimed on rented or leased equipment.

Interest

This category includes interest or financing costs paid or incurred on equipment assets used in the provision of the funded meal programs. Mortgage interest is shown in the Building/Occupancy cost area, not in this category. Costs incurred for interest on borrowed capital are unallowable. List the item purchased, year of the purchase, and purchase cost.

Leasing

Enter the lease cost of equipment used in program provision. List each item, and the year leased.

Maintenance

Include costs incurred for necessary maintenance, repair, or upkeep of equipment. Allowable costs are those which keep equipment in efficient operating condition. Costs incurred for improvements which add to the permanent value of the equipment or appreciably prolong the intended life of the equipment must not be included in this category. Instead, those costs are considered capital expenditures.

OCCUPANCY/BUILDING

Rent

Only include the rental fees paid for buildings used in the provision of services, not rental of equipment or vehicles.

Utilities

This cost category includes items such as natural gas or propane used for heating and cooking, water or electricity.

Depreciation

This category includes the depreciation expense associated with the purchase of property, including capital improvements to land and buildings. Item, year purchased, and item cost must be shown.

Depreciation may not be claimed on an item if the purchase was funded through a state or federal funding source or be claimed on rental property or land acquisitions.

Mortgage Interest

This category includes interest or financing costs paid or incurred on building assets used in the provision of the funded programs.

Insurance

This cost category specifically refers to insurance related to space occupancy, not to the cost of insurance benefits paid for employees, automobile insurance or other types of insurance costs. For example: fire, theft or flood insurance on the building housing the meal preparation site.

Each type of Building/Occupancy related insurance, if there is more than one type purchased, should be identified.

Security

Include the cost of alarm system monitoring fees or private security staff/patrols, if applicable.

Janitorial

This is the category where contracted building maintenance, janitorial contract, and janitorial supplies (including consumable items) should be listed. Include costs incurred for necessary maintenance or upkeep of the building(s). Allowable costs are those which keep buildings in efficient operating condition.

Costs incurred for improvements which add to the permanent value of the building or appreciably prolong the intended life of the building must not be included in this category, but are treated as capital expenditures.

Repair

Include costs incurred for necessary repair or upkeep of the building(s). Allowable costs are those which keep buildings in efficient operating condition.

Costs incurred for improvements which add to the permanent value of the building or appreciably prolong the intended life of the building must not be included in this category, but are treated as capital expenditures.

Taxes

Identify the type and amount of taxes paid on building(s).

TRANSPORTATION/TRAVEL

Mileage Reimbursement

Mileage logs must be maintained showing number of miles reimbursed and rate of reimbursement. Mileage reimbursement to volunteers who deliver meals is allowable.

Delivery

Indicate delivery charges if this service component is subcontracted. Do not duplicate expenses of the freight cost category.

Gas & Oil

If staff/volunteers that utilize their own vehicles are directly reimbursed for gas and oil charges, indicate that cost here.

Gas & Oil expenses for operation of provider owned/leased vehicles used in program operations are shown here.

Repairs

Repair expense of provider owned/leased vehicles used in program operations are shown here. Identify item and year purchased.

Insurance

This category only includes automobile/van insurance.

Depreciation/Lease

List vehicles separately and identify whether lease cost or depreciation. If the charge is for depreciation, show the year purchased and cost.

Depreciation cannot be claimed on leased vehicles or vehicles funded with state/federal dollars.

Interest

This category includes interest paid on vehicle financing.

Tags & Licenses

Include the cost of tags and licenses for provider owned/leased vehicles used in service provision.

ADMINISTRATIVE & GENERAL

Advertising

Allowable advertising costs are those which are solely for:

- recruitment of personnel
- procurement of goods and services
- other specific purposes necessary to meet meal program requirements

Unallowable advertising and public relations costs include:

- salaries and wages of employees engaged in setting up and displaying exhibits making demonstrations, and providing briefings
- costs of promotional items and memorabilia, including models, gifts, and souvenirs
- costs of advertising and public relations designed solely to promote the provider

Contractual Agreements and Consulting Fees

Items or services secured through contractual agreement or consultancy are only allowable if they are of a type that would be allowable if included in salaries or operating expenses. For example, a contract with a media consultant to develop fund-raising appeals would not be allowable as fund-raising is not an allowable cost of the HDM or Congregate meal programs.

Other Fees & Other Misc.

The cost/expense must be described in sufficient detail to support inclusion in the budget.

The categories in the Administrative & General cost area should be allocated based on program utilization.

Note: Interest-Working - Capital

Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-profit organization's own funds, however represented, are unallowable.