

ABC Organization
 Indirect Cost Rate Calculation - **Two Rate Method**
 Based on Actual Costs
 For the Year Ended June 30, 2010

Cost Category	STEP 1	/-----STEP 2-----/			
	FYE 6/30/10 Expenditures	Fringe Benefits	Indirect Costs	Direct Costs (Note b)	Unallowables/ Exclusions
M. Aroni, President	\$ 75,000		\$ 75,000		
G. Smith, Secretary to President	25,000		25,000		
D. Sullivan, VP Finance & Administration	60,000		60,000		
A. Smith, Bookkeeper	28,500		28,500		
L. Berkeley, Senior Scientist - Project 1	60,000			60,000	
V. Johnson, Senior Scientist - Project 2, 3	60,000			60,000	
6 Staff Scientists @ \$35,000 each (Projects 1,2,3)	210,000			210,000	
4 Junior Scientists @\$25,000 each (Projects 1,2,3)	100,000			100,000	
Total Salaries & Wages (Note c)	618,500				
FICA	47,315	47,315			
Health	92,775	92,775			
Consultant (Project 1)	50,000			50,000	
Consultant (Project 2)	100,000			100,000	
Depreciation	5,000		5,000		
Equipment (Project 2)	20,000				20,000
Lab Supplies (Project 3)	7,500			7,500	
Computer services (Project 2)	5,000			5,000	
Telephone	5,000		5,000		
Office Rent	70,000		70,000		
Travel (Projects 1, 2, 3)	20,000			20,000	
Subcontract (Project 1)	25,000			25,000	
Subcontract (Project 2)	50,000			25,000	25,000
Bad Debts expense	5,000				5,000
Interest	5,000				5,000
Donations	500				500
Total Expenses	\$ 1,126,590	\$ 140,090	\$ 268,500	\$662,500	\$ 55,500
	(Note a)				

STEP 3a Calculate Fringe Benefit Rate
 22.65% (\$140,090/\$618,500)

STEP 3b Assign Fringe Benefits

Add: Fringe benefits related to indirect salaries [(\$75,000+\$25,000+\$60,000+\$28,500) x 22.65%]		\$ 42,695			
Add: Fringe benefits related to direct salaries [(\$60,000+\$60,000+\$210,000+\$100,000) x 22.65%]				97,395	
	\$ 1,126,590		\$ 311,195	\$759,895	\$ 55,500

STEP 3c - Calculate Indirect Cost Rate

Indirect Cost Rate - If using a Direct Salaries & Wages Distribution Base	72.4% (\$311,195/\$430,000)
Indirect Cost Rate - If using a Direct Salaries & Wages PLUS Fringe Benefits Distribution Base	59.0% (\$311,195/(\$430,000 + \$97,395))
Indirect Cost Rate - If using a Modified Total Direct Cost Distribution Base	40.9% (\$311,195/\$759,895)

Notes:

- (a) Taken directly from audited financial statements
- (b) ABC Organization has three direct projects. The direct costs associated with all three projects are included under the direct cost column.
- (c) Vacation, holiday, sick leave and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.