

ABC Corporation
 Indirect Cost Rate Calculation - **Two Rate Method**
 Based on Actual Costs
 For the Year Ended December 31, 2010

Cost Category	STEP 1		STEP 2		
	(Note a) 2010 Expenditures	Fringe Benefits	Indirect Costs	Direct Costs (Note b)	Unallowables/ Exclusions
M. Aroni, President (Note c)	\$ 65,250		\$ 65,250		
D. Sullivan, VP Finance & Administration (Note c)	52,250		52,250		
A. Smith, Bookkeeper (Note c)	24,800		24,800		
F. Muller, Senior Scientist - NIH grant (Note c)	56,600			56,600	
V. Cro, Senior Scientist - NSF grant (Note c)	52,250			52,250	
C. Zagler, Senior Scientist - IR&D (Note c)	60,900			60,900	
4 Staff Scientists @ \$40,000 each - NIFA (Note c)	139,300			139,300	
4 Junior Scientists @\$25,000 each - NIFA (Note c)	87,000			87,000	
Total Salaries & Wages	538,350				
Payroll taxes (FICA, FUTA, SUTA)	55,000	55,000			
Health insurance	92,775	92,775			
Vacation (Note c)	40,150	40,150			
Holidays (Note c)	27,000	27,000			
Sick leave (Note c)	13,000	13,000			
Pension costs/401 K plan	35,000	35,000			
Consultant (NIH grant)	50,000			50,000	
Consultant (NSF grant)	100,000			100,000	
Depreciation	5,000		5,000		
Equipment (Note d)	20,000				20,000
Lab Supplies (NIH)	7,500			7,500	
Lab testing services (NIH)	12,500			12,500	
Computer services (NSF)	5,000			5,000	
Telephone	5,000		5,000		
Office Rent	70,000		70,000		
Accounting/audit fees	1,000		1,000		
Direct Travel	20,000			20,000	
Subcontract - NIH (Note d)	50,000			25,000	25,000
Subcontract - NSF (Note d)	25,000			25,000	
Bad Debts expense	5,000				5,000
Interest	5,000				5,000
Donations	500				500
Subtotal	\$ 1,182,775	\$ 262,925	\$ 223,300	\$ 641,050	\$ 55,500

STEP 3a Calculate Fringe Benefit Rate
 48.8% (\$262,925/\$538,350)

STEP 3b Assign Fringe Benefits

Add: Fringe benefits related to indirect salaries [(((\$65,250+\$52,250+\$24,800) x 48.8%)]		\$ 69,498			
Add: Fringe benefits related to direct salaries [(((\$56,600+\$52,250+\$60,900+\$139,300+\$87,000) x 48.8%)]				193,427	
	<u>\$ 1,182,775</u>		<u>\$ 292,798</u>	<u>\$ 834,477</u>	<u>\$ 55,500</u>

STEP 3c - Calculate Indirect Cost Rate

Indirect Cost Rate - If using a Direct Salaries & Wages Distribution Base	73.9% (\$292,798/\$396,050)
Indirect Cost Rate - If using a Direct Salaries & Wages PLUS Fringe Benefits Distribution Base	49.7% (\$292,798/(\$396,050 + \$193,427))
Indirect Cost Rate - If using a Modified Total Direct Cost Distribution Base	35.1% (\$292,798/\$834,477)

Notes:

- (a) Taken directly from audited financial statements
- (b) ABC Corporation has four (4) direct projects (NIH, NSF, NIFA and IR&D).
- (c) The annual salary for each employee per the company's official personnel file is as follows:

	Total Salaries	Paid Absences	Allocable Salaries
M. Aroni, President	\$ 75,000	\$ 9,750	\$ 65,250
D. Sullivan, VP Finance & Administration	60,000	7,750	52,250
A. Smith, Bookkeeper	28,500	3,700	24,800
F. Muller, Senior Scientist - NIH grant	65,000	8,400	56,600
V. Cro, Senior Scientist - NSF grant	60,000	7,750	52,250
C. Zagler, Senior Scientist - IR&D	70,000	9,100	60,900
4 Staff Scientists @ \$40,000 each	160,000	20,700	139,300
4 Junior Scientists @\$25,000 each	100,000	13,000	87,000
	<u>\$ 618,500</u>	<u>\$ 80,150</u>	<u>\$ 538,350</u>

- (d) When using a MTDC distribution base, ABC Corporation excludes from the indirect cost rate calculation all equipment costs and subcontract costs in excess of \$25,000 (per subcontract).