

CHAPTER 5 ALLOWABLE COSTS

Introduction

This chapter provides guidance on allowable budget expenditures and summarizes the principles established by the Federal Office of Management and Budget for determining allowable costs.

WIC local agencies incur a wide variety of expenditures to meet the deliverables in the Scope of Work for this contract. These costs must be allowable and comply with State and Federal requirements. Examples of allowable and unallowable costs are provided in the attachments; however, these attachments are not intended to be a comprehensive list and should be used as a guide for a wide range of possible expenses.

I. General Information

Local Agency Responsibility

WIC local agencies must comply with all Federal regulations and State Codes regarding funds expenditure. Title 2 of the Code of Federal Regulations (2 CFR), Subtitle A, Chapter II, parts 225 and 230 outlines allowable cost categories and should be the basis for determining the allowability of expenditures. For more guidance on allowable cost items, refer to Attachment 5-1. For information on calculating space costs for governmental agencies, refer to Attachment 5-2. For information on calculating space costs for private, nonprofit agencies, refer to Attachment 5-3.

Location of OMB Circulars

The Federal OMB cost principles are located at the following internet locations below and serve as the regulatory basis for guiding all decisions regarding cost objectives.

| OMB Cost Principles |
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| 2 CFR 225 – Applies to local governments http://www.whitehouse.gov/omb/fedreg/2005/083105_a87.pdf |
| 2 CFR 230 – Applies to nonprofit organizations http://www.whitehouse.gov/omb/fedreg/2005/083105_a122.pdf |

II. Governing Allowable Costs Rules

Overview of General Criteria

Parts 225 and 230 of 2 CFR state that allowable costs must:

- Be necessary and reasonable for proper and efficient performance and administration of the WIC Program;
- Be allocable to the WIC Program;
- Be authorized or not prohibited under State or local laws or regulations;
- Conform to any limitations or exclusions set forth in the cost principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items;
- Be consistent with policies and procedures that are applied to the WIC Program and other grants held by government agencies and nonprofit organizations;
- Be accorded consistent treatment;
- Be determined in accordance with generally accepted accounting principles;
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation;
- Be the net of all applicable credits; and
- Be adequately documented.

Reasonable Cost

A cost is considered reasonable if it:

- Does not exceed the amount a prudent person would spend under the circumstances prevailing at the time the decision was made to incur the cost;
- Is generally recognized as an ordinary and necessary cost for the operation or performance of the WIC Program;
- Follows sound business practices (such as arms-length bargaining), Federal and State laws and regulations, and WIC policies and contract requirements;
- Is similar to market prices for comparable goods and services;
- Supports the local agency's responsibilities to the WIC Program, participants, and the public; and
- Complies with the local agency's established purchasing practices to manage costs.

Necessary Cost

A cost is considered necessary if it is:

- Incurred to carry out essential WIC Program functions; and
- Required in order to avoid a situation that will adversely impact the WIC Program.

Allocable Cost

A cost is considered allocable if:

- It is incurred specifically for the WIC Program; and
- The cost of the goods or services is reasonably proportional to the benefits received by the WIC Program.

Documentation Requirements

Local agencies are required to maintain and have available for review and audit, all procurement documents, time sheets, and accounting records (including cost accounting records supported by source documentation for each budget period within the contract term). These documents must be retained for three (3) years, following the final payment of the contract. Source documents include invoices, bids, receipts, travel records, time sheets, and subcontract transactions. See CMB Chapter 4, Exhibit B, Provision 4, Paragraph C of the contract for further information on fiscal documentation.

III. Direct and Indirect Costs

Overview and Definitions

There is no universal accounting rule for classifying costs as either direct or indirect. However, it is essential that each item of cost be treated consistently in like circumstances either as a direct or indirect cost. A cost may not be charged to the WIC Program as a direct cost if it was incurred for the same purpose in like circumstances that was charged to the WIC Program as an indirect cost.

A cost is direct when it is incurred for direct client services and benefits only the WIC Program.

A cost is indirect when it is incurred for a common or joint purpose that benefits more than one of the organization's programs. In general, indirect costs are expenses incurred for the services provided by the executive and administrative offices of the parent organization (and/or other expenses of a general nature) that do not involve direct client services. See CMB Chapter 3, Section VI for a description of the Indirect Costs Line Item and the current budget limitation on indirect costs.

Direct Cost Examples The following examples are guidelines to help determine direct costs:

- Employee compensation for time specifically allocated to the WIC Program for direct client services;
- Materials used to implement WIC Program activities;
- Equipment and other approved capital expenditures used for the WIC Program;
- Expense items or services contracted specifically for the WIC Program through subcontracts; and/or
- Travel and training expenses incurred specifically to carry out initiatives for the WIC Program.

NOTE: A cost may **not** be assigned as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated as an indirect cost.

Indirect Cost Examples

The following examples are guidelines to help determine indirect costs:

- Accounting;
- Payroll preparation;
- Legal services;
- Data processing;
- General administration services; and/or
- Depreciation.

IV. Attachments

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|--|----------------|
| Allowability of Program Expenditures | Attachment 5-1 |
| Local Government Method for Calculating Space Costs for Agency-Owned Buildings | Attachment 5-2 |
| Nonprofit Method for Calculating Space Costs for Agency-Owned Buildings | Attachment 5-3 |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|--------------------|--------------------|---|--|
| Audit Costs | Operating Expenses | Costs associated with required local agency A-133 or Health and Safety audits. If other programs are audited in conjunction with the WIC Program, the costs shall be proportional to a fair share of the total cost. | |
| Bottled Water | N/A | No | Facilities must provide potable drinking water. |
| Breastfeeding Aids | Operating Expenses | <p>Breast pumps (including insurance and service fees for providing breast pumps), breast shells, nursing supplements, nursing bras and nursing pads that directly support the initiation or continuation of breastfeeding.</p> <p>Training and demonstration costs to promote or assist participants in using breastfeeding aids (i.e., models to illustrate the use of various breastfeeding aids, dolls used to demonstrate nursing, etc.).</p> <p>Breastfeeding aids should be used in conjunction with appropriate counseling, education, and follow-up provided by trained staff and peer counselors.</p> | <p>Breastfeeding aids which do not directly support the initiation and continuation of breastfeeding and are not within the scope of the WIC program. Some examples are the following:</p> <ul style="list-style-type: none"> • Topical creams; • Ointments; • Foot Stools; • Infant pillows; • Nursing blouses; and • Herbal Supplements <p>Reference: WRO Policy Memo 807-H, June 10, 1994</p> <p>Gift cards do not support the initiation or continuation of breastfeeding, and do not qualify as WIC allowable breastfeeding aid expenses.</p> |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|--------------------------------------|--|--|---|
| Building improvements or renovations | Operating Expenses/ Capital Expense | No. | <p>Renovations to real property are not allowable. Building renovations must be paid for by the building owner and amortized as the monthly lease expense.</p> <p>Equipment and other capital expenditures are unallowable as indirect costs.</p> <p>Purchases for which prior State WIC approval was not received. 100% payment for equipment that is shared with other organizations.</p> |
| Clothing | Operating Expenses | Items of nominal value with reasonable opportunity for public display that contain a WIC or breastfeeding educational message, telephone number and website. This may include T-shirts, and bibs. | <p>Items of nominal value which have no outreach, breastfeeding, or nutrition education message.</p> <p>Items designed primarily as staff morale boosters, generally for the personal use of the staff, with minimal public display.</p> <p>Items not of nominal value (regardless of any nutrition education, outreach, or breastfeeding promotion messages). These items do not meet the reasonable and necessary test.</p> |
| Commuting and Parking Expenses | Operating Expenses | Expenses incurred by employees for commuting and parking costs when they are in travel status on official WIC business. These travel expenses must meet the criteria described in CMB Chapter 9, Travel Expenses and Transportation. | Expenses incurred by employees as a result of commuting to work, parking costs, tolls, or fees incident to ordinary commuting. |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|---|--------------------|--|---|
| Diapers | Operating Expenses | One replacement diaper is allowable when a soiled diaper has been removed for weighing AND the baby's caretaker cannot provide a clean diaper. | Distribution of diapers. |
| Education Materials | Operating Expenses | The cost of procuring and producing general education materials including posters, pamphlets, audio visuals, printing and duplicating health education materials, etc., used in providing education on non-nutrition topics such as child safety and family planning. | |
| Employee Morale, Health and Welfare Costs | Operating Expenses | The costs of employee information publications, health or first-aid clinics and/or infirmaries, health promotion activities, employee counseling services, and any other expenses incurred in accordance with the agency's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance. | <p>The costs of celebratory items or items designed primarily as staff morale boosters, generally for the personal use of the staff, with minimal public display.</p> <p>The costs of entertainment, including amusement, diversion, social activities, and any costs directly associated with such costs (such as tickets to shows or sports events, meals or refreshments, lodging, rentals, transportation, and gratuities).</p> |
| Entertainment Costs | N/A | No | Yes |
| Equipment (major) | Capital Expense | Nonexpendable, tangible property having a cost of \$5000 or more and a useful life of more than one (1) year. | |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|--|-----------|---|---|
| Farmers' Market Nutrition Program (FMNP) - Operational | Personnel | <p>Special Project: Restricted Funds FMNP</p> <p>Costs of issuing FMNP checks, maintaining check security, educating participants on FMNP transactions, maintaining separation of duties, time studies for FMNP duties, training farmers or Market Mangers and other related scope of work activities associated with FMNP.</p> | Any costs not listed as allowable, unless written approval is received from the State FMNP. |
| Farmers' Market Nutrition Program (FMNP) – Monitoring | Personnel | <p>Special Project: Restricted Funds FMNP</p> <p>Staff time for compliance review monitoring of Farmer-Vendors and markets, upon request by the State FMNP staff. Monitoring activities to include on-site farmer / market visit(s), corrective action and follow-up with Market Managers and the State FMNP.</p> | |
| Feeding Tubes | N/A | No | All apparatus or devices (e.g., enteral feeding tubes, bags and pumps) designed to administer WIC formulas are not allowable costs. |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|-----------------|--------------------|--|---|
| Food Costs | Operating Expenses | <p>Purchase of food demonstration carts for use in nutrition education.</p> <p>Cost of food for taste testing, to be used during a nutrition education class, as long as WIC-approved foods are used and are part of the class' content on how to eat a healthy diet.</p> <p>Cost of minor kitchen equipment and supplies necessary for food storage, preparation, and display of food prepared for demonstration purposes.</p> <p>Staff time to prepare food for demonstration and/or taste testing purposes.</p> | <p>Distribution or providing meals or snacks to participants as an incentive to attend the class.</p> <p>Incentive payments to encourage attendance at nutrition education classes.</p> <p>Refrigerators for WIC staff lunches or personal use.</p> |
| Fringe Benefits | Personnel | Benefits may include: medical/dental benefits, workers' compensation, unemployment insurance and disability insurance. | |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|---------------|-----------|---|--|
| Gift Cards | | In situations where a participant would normally be compensated, such as for participating in a focus group, photo shoot, or panel, giving a gift card with a value equal to or less than the cash compensation that would have been paid may be allowable. The activity for which participants are compensated must be essential for program operation, and the agency must have determined that it cannot recruit the needed number of participants without providing compensation. | Gift cards do not qualify under the criteria in any category of incentive item and are not permissible for outreach, nutrition education or breastfeeding promotion. (Examples of unallowable uses include giving a gift card for attending a nutrition education class or as an incentive to encourage breastfeeding). |
| Immunizations | N/A | No. | Not allowable for participants or employees. |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|--|--------------------|---|---|
| Incentive Items (to reinforce Nutrition Education or Breastfeeding Messages) | Operating Expenses | <p>The cost of procuring and producing <u>incentive</u> items must meet the following criteria established by the USDA and PWPC NSB#: 04-23-09-037:</p> <ul style="list-style-type: none"> • Target current participants; • For print material that includes any program information, must contain a WIC-approved nondiscrimination statement; • Have a clear and useful connection to particular WIC nutrition or breastfeeding messages; • Either convey enough information to be considered educational or utilized by participants to reinforce nutrition education or breastfeeding messages; • Have a value as nutrition education or breastfeeding promotion/support that is equal to or outweighs other uses; • Be distributed to the audience for which the items were designed; • Be reasonable and necessary as defined in the Title 2 California Federal Regulation (CFR) Parts 225 or 230; • Be certified as lead and toxin free. | <p>Celebratory items or items designed primarily as staff moral boosters, generally for the personal use of the staff, with minimal public display.</p> <p>Items of nominal value that have no outreach, breastfeeding, or nutrition education message (for example: personal hygiene items such as toothbrushes, facial tissues, nail files, etc.)</p> <p>Any incentive item intended for persons who are not participants, potential participants, their parents/guardians, or persons connected to the WIC Program (e.g., state and cooperating agency representatives).</p> <p>Items not of nominal value such as diaper bags, strollers, infant slings, or ponchos (regardless of any nutritional education, outreach, or breastfeeding promotional message) as these items do not meet the “reasonable and necessary” test.</p> <p>Outreach and incentive Items that have not been certified as lead and toxin free (print materials excluded).</p> |
| Indirect | Indirect Costs | Indirect costs are those for administrative/support services that are not attributed to one program. All indirect costs shall be supported by a cost allocation plan. | |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|--|---------------------------------------|---|--|
| Interpreter/ Translator Services | Operating Expenses/ Other Costs | The cost of translators/interpreters shall not be included in the personnel line item of the budget if the individuals are not employees of the local agency. If the use of an interpreter/translator is intermittent, the cost shall be included in budget line item 2, Operating Expenses. If the services are provided through a subcontract, the cost shall be included in budget line item 4, Other Costs. | |
| Lobbying (executive costs) | N/A | No | Yes |
| Memberships, Subscriptions, and Professional Activity Costs | Operating Expenses | Costs of professional (R.D., IBCLC, etc.) registration of certification/recertification as part of an employee's professional development plan must align with agency policies and procedures. Costs of relevant subscriptions or memberships to business, professional, and technical periodicals or organizations. | Costs of membership in organizations substantially engaged in lobbying or not relevant to the WIC program. |
| Meetings and Conferences | Operating Expenses | Costs of meetings and conferences the primary purpose of which is the dissemination of technical information that is of a specialized nature necessary to operate the WIC program. | Entertainment, including amusement, diverse social activities and any costs directly associated with such costs, such as shows or sports events. |

Allowability of Program Expenditures
(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|---------------------------|--------------------|---|---|
| Minor Equipment | Operating Expenses | <p>Cost of minor equipment required for program operations to conduct nutrition education and breastfeeding promotion and support activities.</p> <p>The costs of minor medical equipment used for taking anthropometric measurements such as scales, measuring boards, skin fold calipers, and hemoglobin screening devices and the related necessary equipment.</p> | Electronic devices used to measure body fat, including a scale used for bioelectric impedance analysis (BIA). |
| Monitoring and Evaluation | Operating Expenses | The cost of conducting evaluations of nutrition education and breastfeeding promotion and support activities. | |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|----------|--------------------|--|---|
| Outreach | Operating Expenses | <p>The cost of procuring and producing outreach items that meet the following criteria established by the USDA and PWPC NSB#: 04-23-09-037:</p> <ul style="list-style-type: none"> • Contain a WIC-specific message that targets the WIC eligible population; • Normally seen in public; • For publications or other printed material that include program information, must contain a WIC- approved nondiscrimination statement; • Have value as outreach items that equal or outweigh other uses; • Include WIC contact information including local agency name, address and/or phone number, and e-mail; • Constitute (or show promise of) an innovative or proven way of encouraging WIC participation; • Be reasonable and necessary as defined in the federal OMB Circulars; and • Be certified as lead and toxin free. | <ul style="list-style-type: none"> • Celebratory items or items designed primarily as staff moral boosters, generally for the personal use of the staff, with minimal public display. • Items of nominal value that have no outreach, breastfeeding, or nutrition education message (for example: personal hygiene items such as toothbrushes, facial tissues, nail files, etc. since they do not contain a nutrition education or breastfeeding message and are not normally seen in public). • Any incentive item intended for persons who are not participants, potential participants, their parents/guardians, or persons connected to the WIC Program (e.g., state and cooperating agency representatives). • Items not of nominal value such as diaper bags, strollers, infant slings, or ponchos (regardless of any nutritional education, outreach, or breastfeeding promotional message) as these items do not meet the “reasonable and necessary” test. • Outreach and incentive Items that have not been certified as lead and toxin free (print materials excluded). • Gift cards do not qualify under the criteria in any category of incentive item and are therefore not permissible as WIC purchases for outreach. |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|--|--------------------|--|--|
| Pedometers | N/A | Pedometers may be purchased using indirect funds by the parent agency. | Pedometers are not allowable as a direct charge to the WIC Program. |
| Provision of Physical Activity | Operating Expenses | Providing a component of physical activity instruction as part of a nutrition education or breastfeeding support class in which the primary focus is nutrition and/or breastfeeding. | Not allowable as a separate class, or as the main focus of a class. |
| Salaries and Wages (Employee Compensation) | Personnel | <p>All compensation paid or accrued by the organization for employee services. It includes, but is not limited to: bilingual pay, incentive awards, merit salary increase or cost of living adjustment (COLA), overtime, extra-pay shift, multi- shift premiums, and differential.</p> <p>Incentive awards must meet the following:</p> <ul style="list-style-type: none"> • Be based on performance-based criteria, such as efficient performance, suggestion awards or safety awards; • Compensation is of a reasonable amount, and conforms to an established agreement or policy on distributing incentive compensation; • Overall compensation paid to the employees is not excessive; • Organization must have established process for measuring and tracking compensation; and • Incentive award criteria should be established prior to the tracking period so performance can be monitored against the goal. | <p>Incentive payments are unallowable if:</p> <ul style="list-style-type: none"> • The local agency/parent agency does not have an established agreement or policy on compensation incentives. • Criteria for receiving the incentive are not performance-based. |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|-------------|---------------------------------------|---|-------------|
| Scales | Operating Expenses | <p>General use scales used for taking anthropometric measurements.</p> <p>The purchase or rental cost of a high-quality baby weight scale used to determine breast milk intake by weighing an infant before and after being breastfed is an allowable cost. Staff must be trained on the proper use of the scale; peer counselors who are supervised by an IBCLC may weigh the infants. The scale must be calibrated at the time intervals recommended by the manufacturer.</p> <p>Reference: PWPC NSB #: 06-28-10-048 Baby Weight Scales for high-risk infants (June 28, 2010) for additional information.</p> | |
| Security | Operating Expenses/ Indirect Costs | When a building is owned by a government agency, documentation must support charging the expense as a direct or indirect cost. | |
| Space Costs | Operating Expenses | Cost of office space utilized by program staff members and/or participants. | |

Allowability of Program Expenditures

(Program policy or guidance may supersede guidance on items below.)

| Item | Line Item | Allowable | Unallowable |
|--------------|--------------------|--|---|
| Subcontract | Other Costs | <p>Subcontractors may provide some or all of the services outlined in the WIC local agency's Scope of Work (CMB Chapter 4, Exhibit A).</p> <p>Subcontracts must be approved by State WIC as described in CMB Chapter 8, Subcontracts.</p> | |
| Supply Items | Operating Expenses | Calculators, toner, paper, pens/pencils, staplers, flip charts, and teaching aids. | |
| Training | Operating Expenses | <p>The cost of training staff on WIC program requirements and general administration procedures.</p> <p>The cost of specialty training for breastfeeding promotion and support.</p> | Training costs for non-WIC staff unless specifically approved by State WIC. |
| Vehicles | Capital Expense | <p>To conduct WIC Program operations relevant to the Scope of Work, such as travel to clinic sites, meetings, trainings, and delivery of WIC materials.</p> <p>Local agencies must follow the guidelines in the CMB, Chapter 7, and receive prior approval from the State WIC Program and/or USDA.</p> | |

| Method | Condition |
|---|---|
| <p>Use Allowance – Two percent (2%) of acquisition cost times the percentage of square feet occupied by WIC divided by 12 equals the WIC monthly space cost.</p> | <ul style="list-style-type: none"> • Acquisition costs are based on building only, not land. • Cannot combine use allowance and depreciation. • If the use allowance method is utilized it must be applied consistently for all Local Agency programs (not just WIC). |
| <p>Depreciation - Acquisition cost divided by the useful life (50 years) divided by 12 equals the WIC monthly space cost. ~ or ~ Acquisition cost divided by the straight-line depreciation times divided by 12 equals the WIC monthly space cost.</p> | <ul style="list-style-type: none"> • Acquisition costs are based on building cost only, not land. • Cannot combine use allowance and depreciation. • If the depreciation method is utilized it must be applied consistently for all Local Agency programs (not just WIC). |
| <p>Actual Cost Based on Principle Only - The monthly mortgage principle divided by the total building square footage equals the cost per square foot times the square footage occupied by WIC equals the WIC monthly space cost.</p> | <ul style="list-style-type: none"> • Building acquired before October 1, 1980. • If the actual cost method is utilized it must be applied to all Local Agency programs (not just WIC). |
| <p>Actual Cost Based on Principle and Interest -The monthly mortgage principle and interest divided by the total building square footage equals the cost per square foot times square footage occupied by WIC equals the WIC monthly space cost.</p> | <ul style="list-style-type: none"> • Buildings acquired on or after October 1, 1980. • If facility cost is \$500,000, or more, a lease/purchase must be approved by USDA or Dept. of Health and Human Services prior to the acquisition. • If facility cost is less than \$500,000 USDA must approve the purchase without lease/purchase analysis. |

NONPROFIT METHOD FOR CALCULATING SPACE COSTS FOR AGENCY-OWNED BUILDING
Refer to 2 CFR Part 230 for more details

| Method | Condition |
|---|---|
| <p>Use Allowance – Two percent (2%) of acquisition cost times percentage of square feet occupied by WIC divided by 12 equals the WIC monthly space cost.</p> | <ul style="list-style-type: none"> • Computation excludes: 1) cost of land; 2) any portion of the building cost borne by or donated by the Federal Government; and 3) any portion of the building contributed by or for the organization in satisfaction of a statutory matching retirement. • Use allowance for the building and improvement (including land improvement such as paved parking areas, fences and sidewalks) will be computed at an annual rate not exceeding two percent (2%) of acquisition cost. • Cannot combine use allowance and depreciation methods. • If the use allowance method is utilized it must be applied consistently for all Local Agency programs (not just WIC). • Must be supported by adequate property records. • Entire building must be treated as a single asset. |
| <p>Depreciation – Acquisition cost divided by the useful life (50 years) times the percentage of square feet occupied by WIC divided by 12 equals the WIC monthly space cost. ~ or ~ Acquisition cost divided by the straight-line depreciation times the percentage of the square feet occupied by WIC divided by 12 equals the WIC monthly space cost.</p> | <ul style="list-style-type: none"> • Computation excludes 1) the cost of the land; 2) any portion of the building cost borne by or donated by the Federal Government; and 3) any portion of the building contributed by or for the organization in satisfaction of a statutory matching retirement. • Cannot combine use allowance and depreciation methods. • If the depreciation method is utilized it must be applied consistently for all Local Agency programs (not just WIC). • Must be supported by adequate property records. • Must be supported by adequate depreciation records indicating the amount of depreciation taken each period. • Building shell may be segregate from each building component and each item depreciated over its estimated useful life or the entire building may be treated as a single asset. • The method of depreciation used to assign the cost of an asset to accounting periods shall reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater or lesser in the early portions of its useful life than in the later portions, the straight-line method shall be presumed to be the appropriate method. |

NONPROFIT METHOD FOR CALCULATING SPACE COSTS FOR AGENCY-OWNED BUILDING
Refer to 2 CFR Part 230 for more details

| Method | Condition |
|---|---|
| <p>Actual Cost Based on Principle Only – The monthly mortgage principle (less interest) divided by the total building square footage equals the cost per square foot times the square footage occupied by WIC equals the WIC monthly space cost.</p> | <ul style="list-style-type: none"> • Building acquired before September 29, 1995. • If the actual cost method is utilized it must be applied consistently for all Local Agency programs (not just WIC). • If facility cost is \$500,000 or more, a lease/purchase analysis must be approved by USDA or Dept. of Health and Human Services prior to the acquisition. • If facility cost is less than \$500,000 USDA must approve purchase without lease/purchase analysis. • Facility acquisition costing over \$10 million and where WIC reimbursement is expected to equal or exceed 40% of an asset’s cost, the nonprofit must submit a justification to the WIC Program prior to the acquisition. |
| <p>Actual Cost Based on Principle and Interest – The monthly mortgage principle and interest divided by the total building square footage equals the cost per square foot time square footage occupied by WIC equals the WIC monthly space cost.</p> | <ul style="list-style-type: none"> • Building acquired on or after September 29, 1995. • If facility costs \$500,000, or more, a lease/purchase must be approved by USDA or Dept. of Health and Human Services prior to the acquisition. • If facility cost is less than \$500,000 USDA must approve the purchase without lease/purchase analysis. • Facility acquisition costing over \$10 million and where WIC reimbursement is expected to equal or exceed 40% of an asset’s cost the nonprofit must submit a justification to the WIC Program prior to the acquisition. • Interests incurred to finance or refinance capital assets that were held prior to September 29, 1995 and re-acquired on or after September 29, 1995 are not allowable. • Allowable interest for capital assets includes renovations, alterations, land and capital assets acquired through capital leases. • If the actual cost method is utilized it must be applied consistently for all Local Agency program (not just WIC). |