



# The Cost of Impact

Determining the True Cost of Programs

Part II

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September 9, 2025

# Welcome!



## Our Conversation Today

- ✓ Understanding True Costs
  - Specific vs Shared Expenses
  - Program vs Supporting
  - Staffing Plan
- ✓ Putting it All Together
- ✓ Up Next



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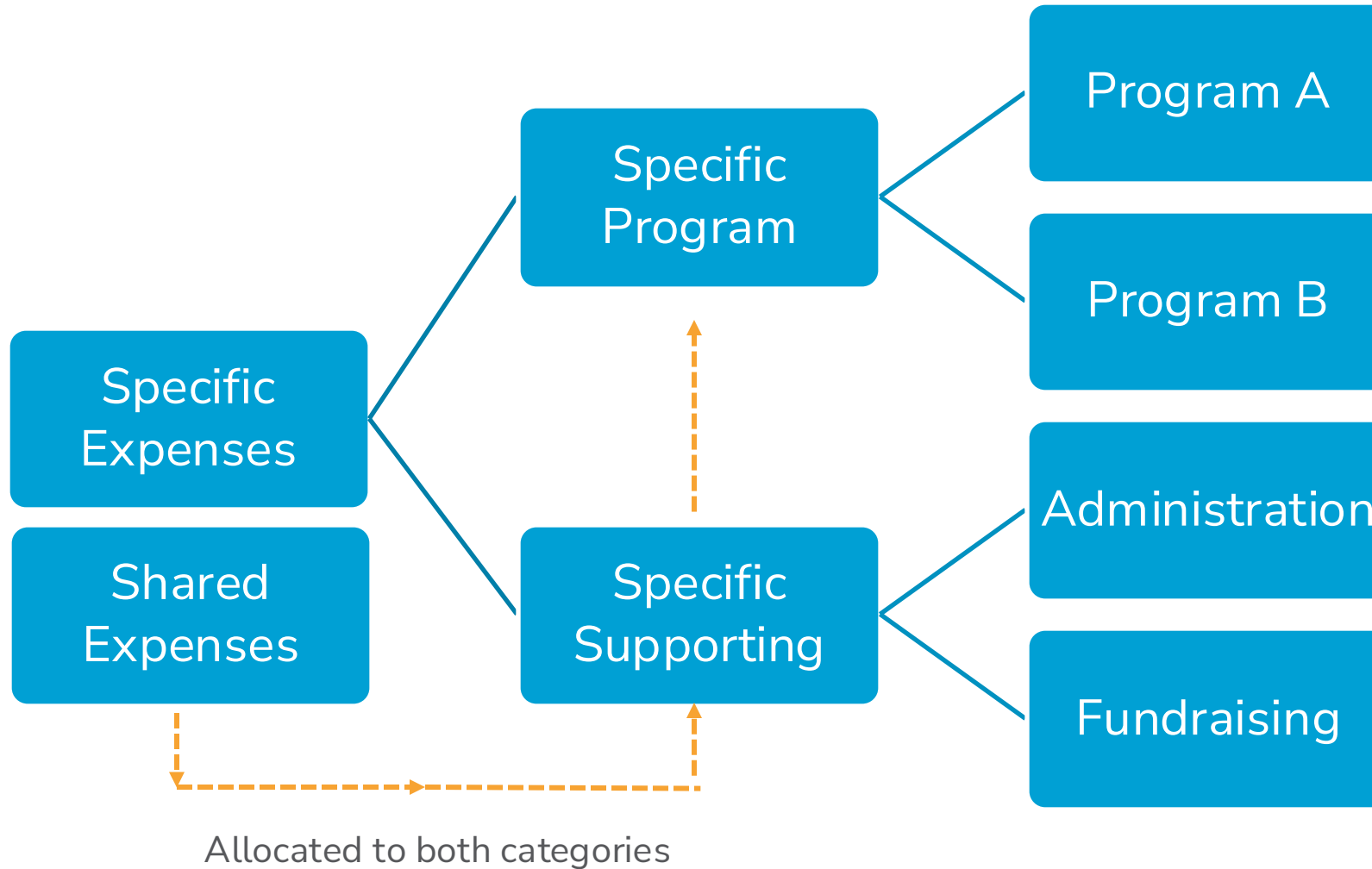
# Who is in the room?

Budget	Role
<\$500K	Board Member
\$500K-\$1M	CEO / Executive Director
\$1M - \$2.5M	CFO / Director of Finance / Accountant / Bookkeeper
\$2.5M - \$5M	Development
Over \$5M	Program

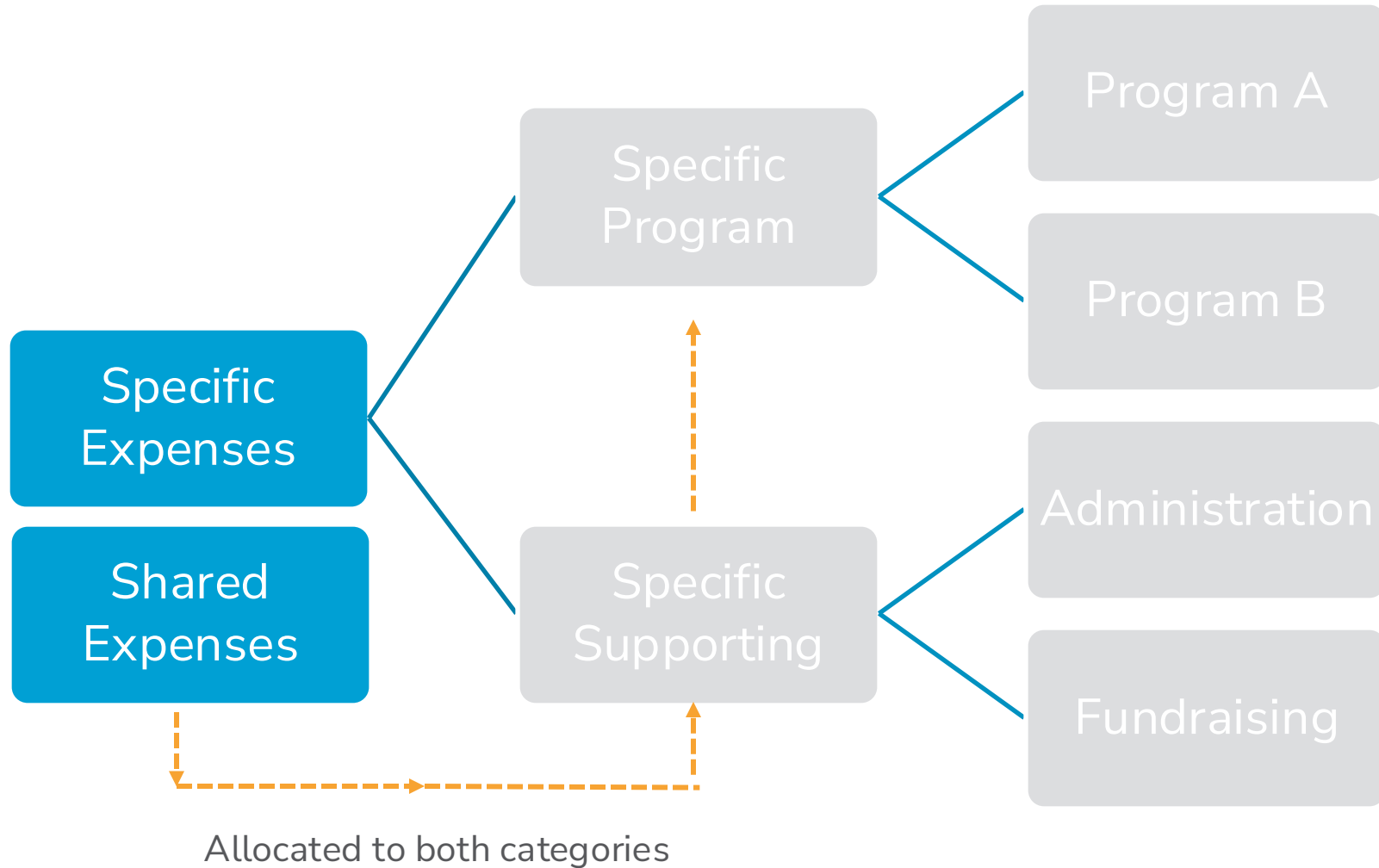
# True Program Costs

	Specific Costs			
Program A	Program B	Program C	Program D	
Shared Costs				
	Admin Costs			

# Peeling the Onion: Categorizing Expenses



# Peeling the Onion: Categorizing Expenses



# Specific vs Shared

## Specific

Those expenses that relate to an individual program or activity of the organization.

### Examples

- Program supplies
- Client transportation
- Development Director's salary

## Shared

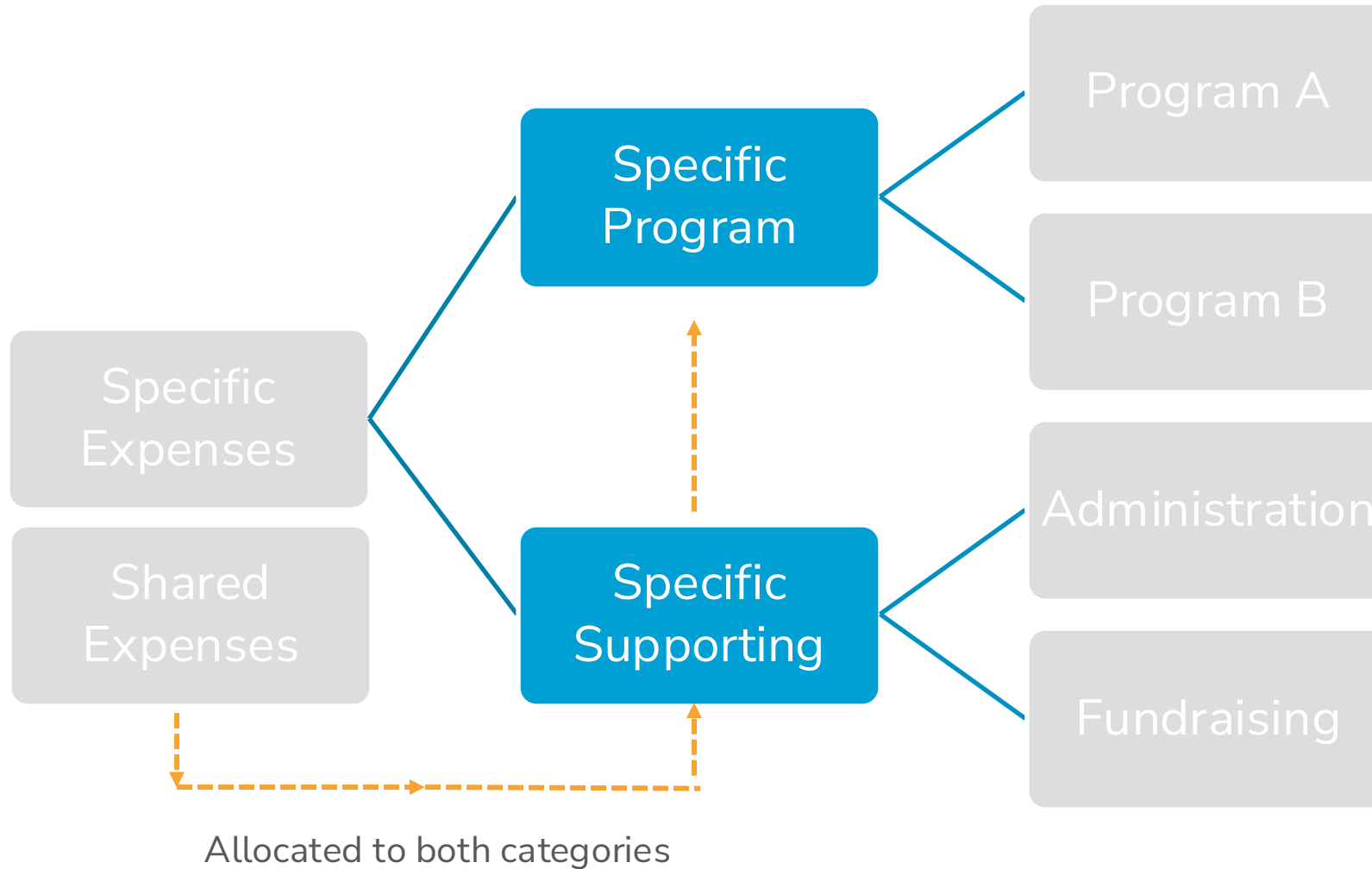
Those expenses that are used by multiple programs or activities of the organization.

### Examples

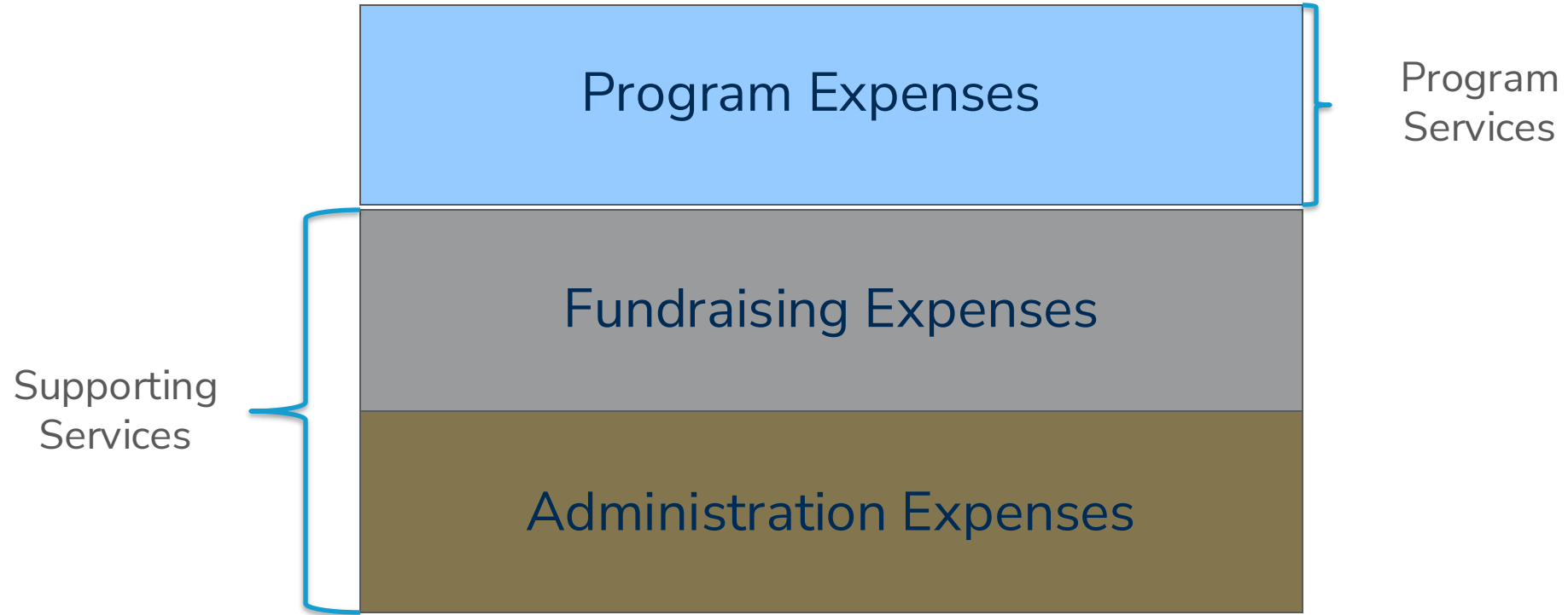
- Office supplies
- Rent
- Telephone & utilities
- Liability insurance
- Technology support



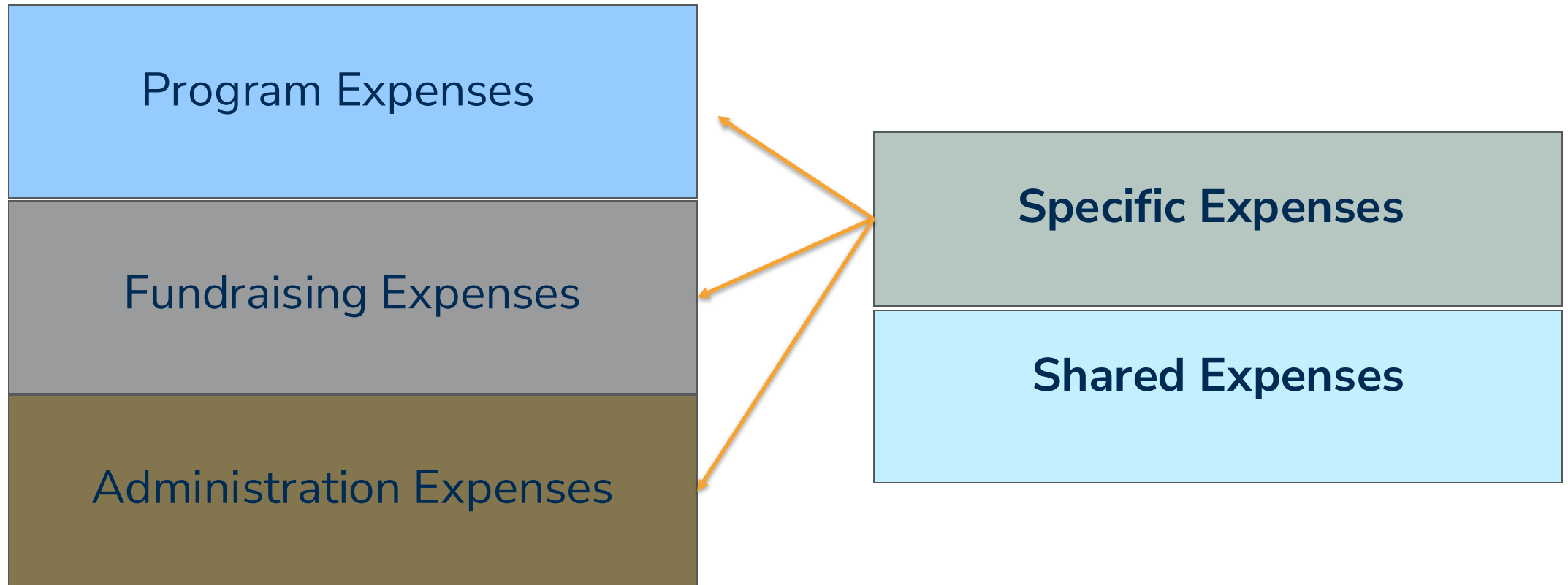
# Peeling the Onion: Categorizing Expenses



# Tying Expenses to Programs



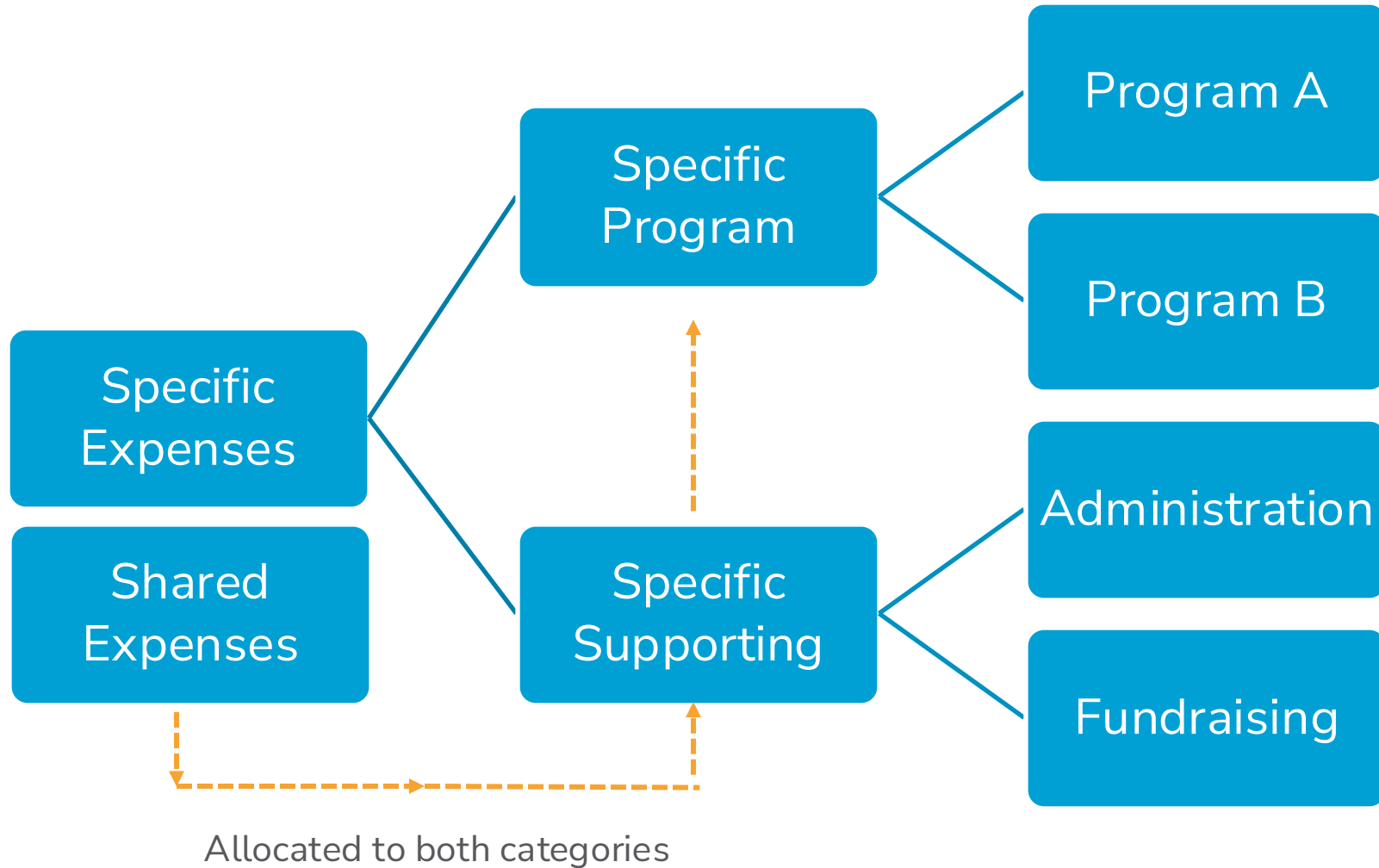
# Tying Expenses to Programs



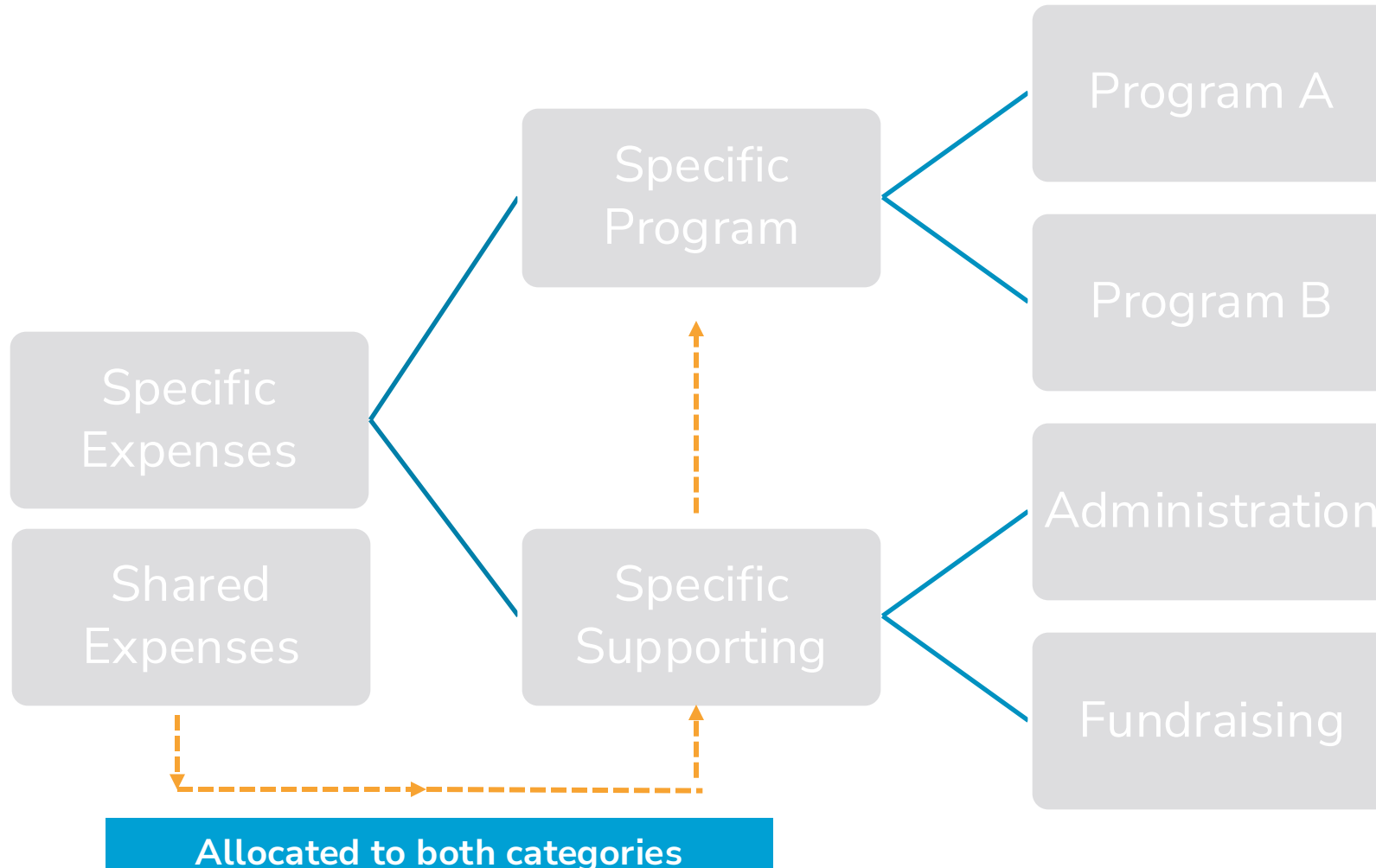




# Peeling the Onion: Categorizing Expenses



# Peeling the Onion: Categorizing Expenses



# What is allocation?

Allocation is the systematic process of splitting certain expenses between activity centers (cost centers) based on several factors.



# The Regulatory Environment





# 2CFR Part 230 / OMB Circular A-122

## **All costs must be:**

- Reasonable
- Allowable
- Allocable
- Consistently applied
- Documented



# Acceptable Basis

Units of service costs

Cost-to-Cost allocation

Full time equivalents (FTE's)

Payroll expenses

Square footage

Specific expenses

# Staffing Plan

Staffing Plan							
Position		Program Activities			Supporting Activities		Shared Costs
		Education & Awareness	Counseling	Consulting	Admin	Fund-raising	
Executive Director	100%	5%	10%	15%	35%	35%	
Admin Assitant	100%	15%	5%	5%	45%	30%	
Finance Director	100%				100%		
Development Director	100%					100%	
Director of Counseling	100%		100%				
Director of Education	100%	100%					
Counselors	400%		400%				
Teachers	150%	150%					
Director of Technology	100%						100%
Receptionist	100%						100%
Custodian	20%						20%
Bookkeeper	50%				50%		
Development Coordinator	50%					50%	
Total FTE's	14.70	2.70	5.15	0.20	2.30	2.15	2.20
Total FTE's w/o Shared	12.50						
Shared Allocation %		22%	41%	2%	18%	17%	

# Excluded Costs

- Fundraising
- Lobbying
- Alcoholic beverages
- Entertainment costs
- Investment mgt.
- Housing and personal living expenses for officers



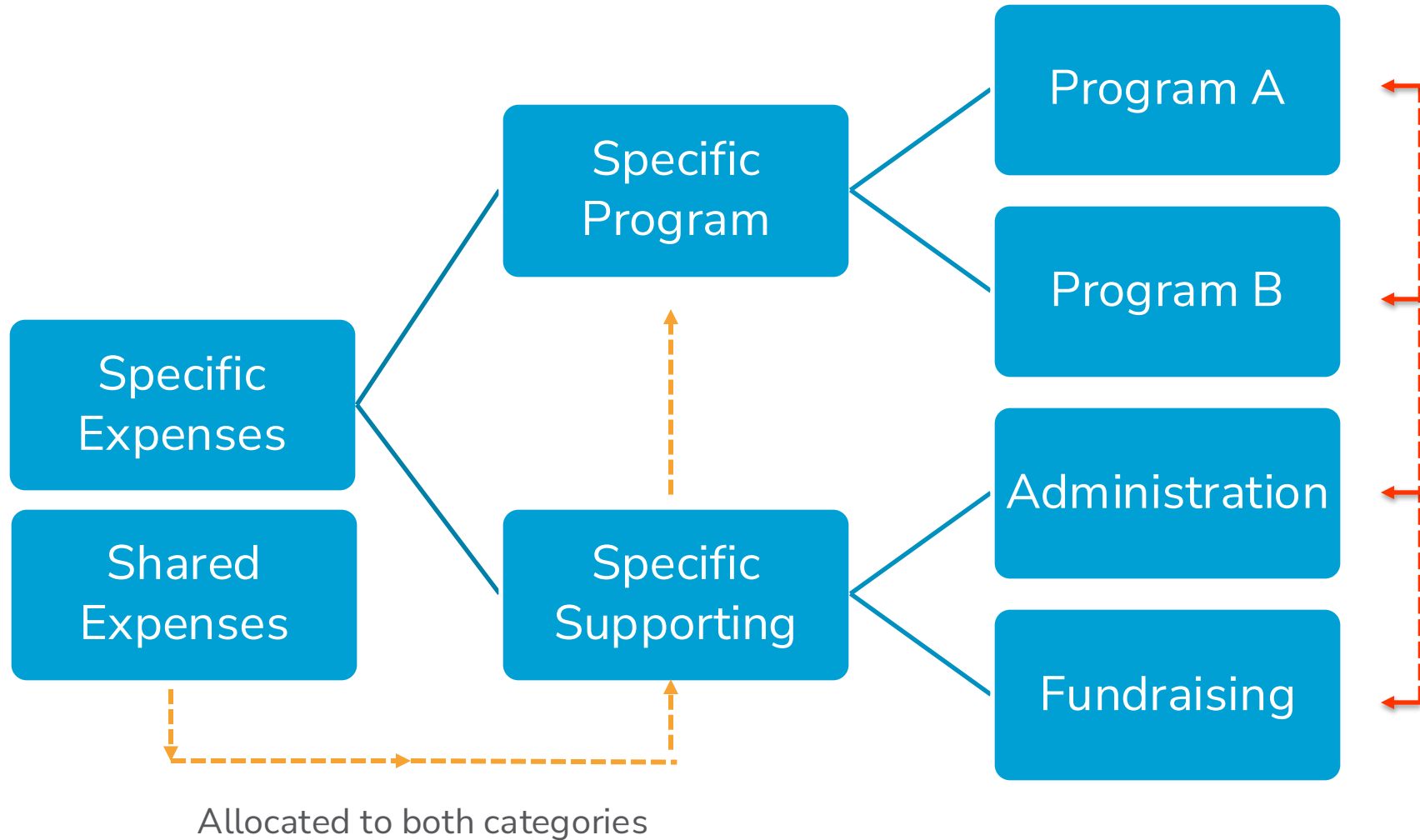
# Understanding True Costs

<b>Specific Expenses</b>	Those expenses that relate directly to the program
<b>Shared Expenses</b>	Those expenses split between multiple programs such as occupancy and technology.
<b>Admin Expenses</b>	Those expenses related to time spent with the board, finance and overall organizational structure and function.

# Understanding True Costs

Specific Expenses	\$127,670	} TRUE COST
Shared Expenses	\$23,309	
Admin Expenses	Admin Expenses	

# Peeling the Onion: Categorizing Expenses



# Administration Allocation Calculation

$$\frac{\text{Program + Shared Expense}}{(\text{Total Expenses} - \text{Admin Exp.})} = \text{Allocation Percentage}$$

*For Education & Awareness:*

$$\frac{(127,670 + 23,309) = 150,979}{(732,675 - 67,031) = 665,644} = 0.2268 \text{ or } 22.68\%$$



# Administrative Expenses

Education & Awareness  
Admin Allocation:

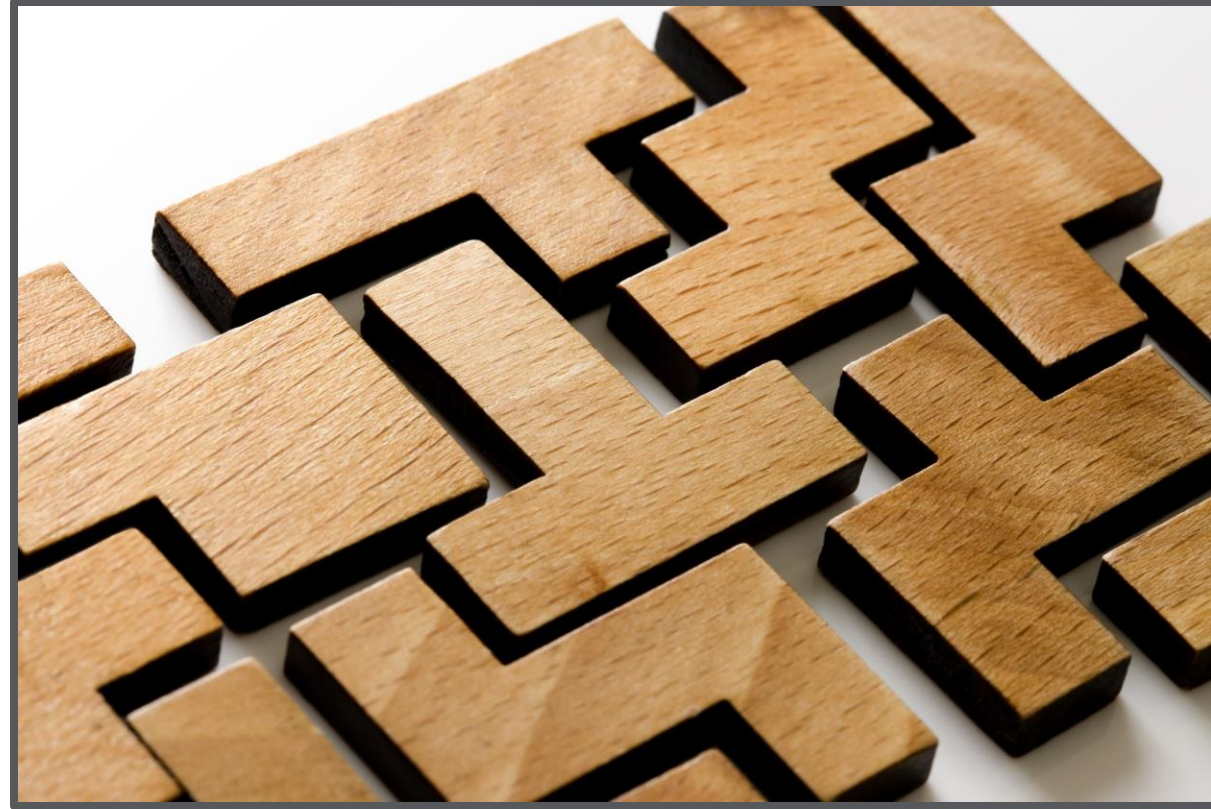
$$\text{\$67,031} * 22.68\% = \text{\$15,204}$$

For the Nine Months Ending September 30, 2025							
	Program Activities			Supporting Activities			TOTAL
	Education & Awareness	Counseling	Consulting	Admin	Fund-raising	Shared Costs	
Salaries	83,800	194,800	18,300	30,400	33,000	45,000	405,300
Benefits	12,570	29,220	2,745	4,560	4,950	6,750	60,795
<b>Personnel Expense</b>	<b>96,370</b>	<b>224,020</b>	<b>21,045</b>	<b>34,960</b>	<b>37,950</b>	<b>51,750</b>	<b>466,095</b>
Professional Fees	19,900	143,000	1,500	3,400	-		167,800
Supplies	5,800	1,400	1,800	8,000	200	13,500	30,700
Telephone						4,900	4,900
Postage						2,600	2,600
Occupancy						12,100	12,100
Depreciation						6,500	6,500
Insurance				500		6,200	6,700
Technology						2,900	2,900
Travel	2,700	11,400	3,480	1,100	100		18,780
Printing	2,900	1,600			3,600	5,500	13,600
<b>Total Specific Costs</b>	<b>\$ 127,670</b>	<b>\$ 381,420</b>	<b>\$ 27,825</b>	<b>\$ 47,960</b>	<b>\$ 41,850</b>	<b>\$ 105,950</b>	<b>\$ 732,675</b>
Allocation Rate	22%	41%	2%	18%	17%		100%
Allocation of Specific Costs	23,309	43,440	2,119	19,071	18,012	(105,950)	-
Expenses without Admin.	<b>\$ 150,979</b>	<b>\$ 424,860</b>	<b>\$ 29,944</b>	<b>\$ 67,031</b>	<b>\$ 59,862</b>	<b>\$ -</b>	<b>\$ 732,675</b>
Admin Allocation %	23%	64%	4%	-100%	9%		
Admin. Allocation	15,204	42,784	3,015	(67,031)	6,028		
<b>TRUE COST</b>	<b>\$ 166,183</b>	<b>\$ 467,643</b>	<b>\$ 32,959</b>	<b>\$ -</b>	<b>\$ 65,890</b>		<b>\$ 732,675</b>

# Understanding True Costs

Specific Expenses	\$127,670	} TRUE COST \$166,183
Shared Expenses	\$23,309	
Admin Expenses	\$15,204	

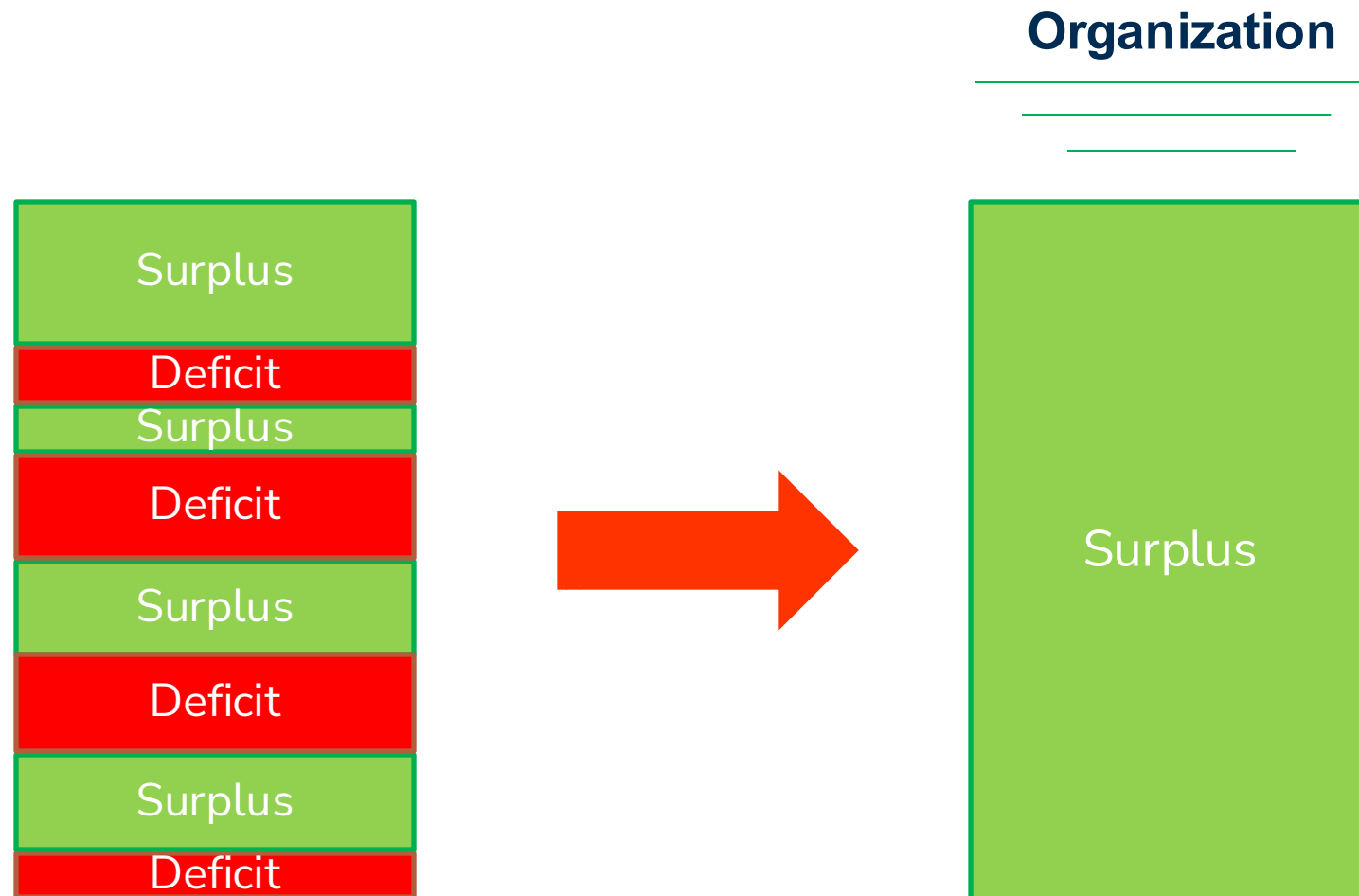
# Putting It All Together



# Defining Profitability



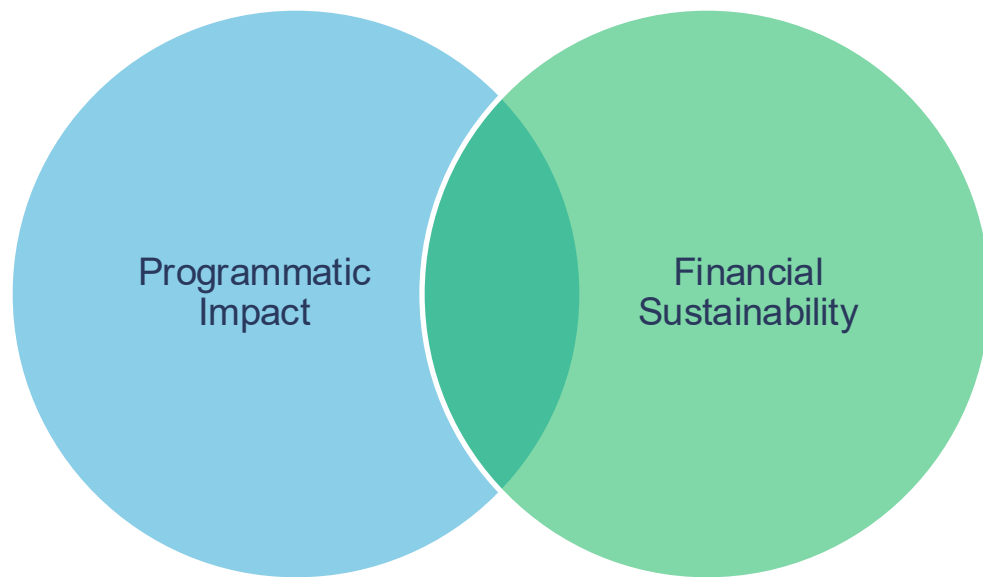
# What is driving our financial health?



# Understanding the True Cost of Impact



- With true cost of impact, you can now better understand:
  - If your organization is operating sustainably
  - Cost recovery efforts
  - The value of your organization and what it actually takes to deliver impact









Up Next

# Navigating Uncertainty: Scenario Planning for Today's Nonprofit Leaders



**Tuesday, September 16**

**5:00 PM – 6:30 PM ET**

# See you next time!

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