DEPARTMENT OF HEALTH & HUMAN SERVICES
INSTRUCTIONS FOR COMPLETING BUDGET FORMS

Changes have been made to the Budget Forms in August 2012.

- **On Budget Form 2, a new expense category has been added: Training/Education.**
- **On Budget Form 2, the calculation of Line 33 Indirect Allocated G&A is now transparent. The Indirect Cost Rate appears on Line 38 and the Allocation Base is entered on Line 37.**
- **Some agreements require multiple Rider F-1s and multiple Budget Forms 3 and 5. Consequently, neither Budget Form 3 nor Budget Form 5 is linked to Budget Form 2 in this blank workbook. Providing agencies must create the appropriate links to ensure consistent information is submitted. If your agency has only one program, link the information on Form 3 and Form 5 to Column 3 on Budget Form 2. Column 2 on Budget Form 2 contains a formula summing the other columns.**
- **Budget Form 4 Indirect Allocation Summary has been revised.**
- **Budget Form 5-A has been added to provide space for additional financial detail to the expense categories on Budget Form 5.**
- **These instructions have been revised and expanded.**

Changes have been made to the Budget Forms in August, 2013.

- **On Budget Form 1 line 5 is for revenue source of Federal DHHS Agreement Funds.**
- **On Budget Form 1 line 6 is for revenue source of Federal Block Grant Agreement Funds.**
- **On Budget Form 1 line 9 is for State DHHS Agreement Funds.**
- **On Budget Form 1 Line 10 is for DHHS Agreement Funds –FHM**
- **On Budget Form 1 Line 11 State DHHS Agreement Funds-Other.**
- **These instructions have been revised to include the above changes.**

OVERVIEW

The rules and regulations regarding the cost principles for non-profit organizations are determined by the federal Office of Management and Budget in Circular A-122. The cost principles for state and local governments and Indian tribes are defined in Circular A-87. The cost principles for educational institutions are defined in Circular A-21. The website addresses are provided below. In addition, the Maine Department of Health and Human Services (DHHS) developed the Maine Uniform Accounting and Auditing Practices for Community Agencies, revised July 1, 2012, (MAAP IV) to establish consistent accounting, auditing and administrative regulations for community agencies receiving financial assistance in the form of agreements with the Department. The web address for MAAP is also provided below.

These instructions do not replace OMB A-122, OMB A-87, OMB A-21 or MAAP. These instructions are intended to provide a basic explanation on how the required budget forms

relate to one another and should be filled out to provide accurate, consistent and verifiable financial information.

OMB Circular A-122 http://www.whitehouse.gov/omb/circulars/a122/a122.html
OMB Circular A-87 http://www.whitehouse.gov/omb/circulars_a087_2004/
OMB Circular A-21 http://www.whitehouse.gov/omb/fedreg_a-21rev
MAAP IV http://www.maine.gov/dhhs/audit/social-services/rules.shtml

The Budget Forms offer detailed financial information regarding the revenue earned by the contracting agency and the expenses incurred by that agency to provide contracted services. The Rider F-1 Pro-Forma summarizes this information from the budget forms and determines the appropriate agreement closeout as required by MAAP. Rider F-2 identifies the compliance requirements that must be considered in audits of agreements between the Department and a Community Agency. These forms are integral to the agreement between the Department and the contracting provider.

The Budget Forms and Rider F package is an MS Excel workbook consisting of the following:

- Budget Form 1 Revenue Sources
- Budget Form 2 Expenses (supported by the forms below)
    - ✓ Budget Form 2-A Third Party In-Kind Donation
    - o Budget Form 3 Direct Personnel Expenses
    - o Budget Form 4 Indirect Allocation Summary
        - ✓ Budget Form 4-A Agency Wide Indirect Expense Summary
        - ✓ Budget Form 4-B Agency Wide Indirect Personnel Expense Summary
    - o Budget Form 5 Expense Details
        - ✓ Budget Form 5-A Supplemental Detail Information
- Rider F-1 Pro-Forma
- Rider F-2 Agreement Compliance Form

Budget Forms 2-A through Budget Form 5-A are supporting schedules for Budget Form 2 and provide the required, detailed information on expenses summarized on Budget Form 2. The total amounts calculated on the supporting schedules must agree with the amounts on Budget Form 2.

What We Need From Providers

- The budget forms must be prepared completely and accurately by the contracting agency.
- A separate set of budget forms must be completed for each agreement, except for Budget Form 4 and its sub-schedules which should be filled out once annually and pasted into each separate agreement.

- Agencies that receive funding from DHHS for more than one service or program must prepare the forms to reflect the costs for EACH service or program separately.

Failure to complete the forms according to the directions may result in delayed or withheld payments.

Agencies may reproduce the forms as needed or add columns on the spreadsheets, IF THE FORMAT AND CONTENT OF AGENCY-GENERATED FORMS REMAIN EXACTLY THE SAME AS THE FORMS PROVIDED BY DHHS. Agencies with the capacity to submit the completed forms electronically in Excel should do so by email to the address supplied by your SPOC (Single Point of Contact). If it is not possible to submit the forms via email, they can be submitted on a compact disc.

Additional required explanatory information, such as agency capitalization policy, depreciation schedule or sub-recipient list, should be attached to the submitted package.

Questions about completing the budget forms must be directed to the SPOC (Single Point of Contact).

INSTRUCTIONS FOR COMPLETING THE FORMS

The Header Information on these forms is linked in the Excel format. Information entered in the header of Budget Form 1 will appear on all other forms. However, the Rider F-1 Pro-Forma requires additional information in its header which must be entered separately on that form. All forms require the following:

Agency Name: The legal name of the parent agency
Program Name: The name of the program providing the contracted services
Agreement Start Date: Date on which the services in this agreement will begin
Agreement End Date: Date on which services in this agreement will terminate
DHHS Agreement #: Number assigned by DHHS

BUDGET FORM 1: REVENUE SOURCES

General Information

This form consists of seven columns in addition to the Line reference number column at the left margin.

The form is divided into two sections.

- Revenue Sources To Be Cost Shared are to be listed on Lines 5 through 19 and are summed by a formula on Line 20.
- Revenue Sources Non Cost Shared are to be listed on Line 22 through 33 and are summed by a formula on Line 34.

Total Revenue for this program is summed by a formula on Line 35, which adds Line 20 (Total Cost Shared Revenue) and Line 34 (Total Non-Cost Shared Revenue.)

Total Agency Wide Projected Revenue must be entered by the provider on Line 36.

Column 1 - Revenue Sources: This column identifies the sources of all funding included in the agreement budget. Providers should add rows, as needed, to identify funding sources not specified. If a source is used for Match, clearly indicate Match in this column.

Column 2 - Total Programs: This column is the calculated SUM of the service and program funding entered in Columns 3 through 7.

Column 3 through 7 "Service" and "Program": Each DHHS funded program must be listed SEPARATELY under the columns labeled "Service" and "Program."
The Service category named in Rider A must be entered in the space under "Service."
The providing agency's Program name, if any, should be entered in the space under "Program."
For example: "Service" Residential: Program: Maple St. Group Home.
Note:

- Agencies that are funded for ONE program/service should use Column 3. Column 2 contains a formula summing Columns 3 through 7.
- Agencies that are funded for five or fewer programs/services must provide all summary information on one sheet.
- Agencies that are funded for six or more programs/services must add additional columns to provide the required information. Each additional column must be labeled using consecutive numbers. Additional pages may be used as needed.

Specific Instructions: Cost Shared Revenue Source (Lines 5 through 20)

Line 5: Federal DHHS Agreement Funds: Enter the amount of the federal funding included in your DHHS grant allocation. This information must be provided for each Service/Program. Add rows as needed to identify different sources of federal funds stipulated under the agreement.
Line 6: Federal BLOCK GRANT Agreement Funds: Enter the amount of the federal block grant funding included in your DHHS grant allocation. This information must be provided for each Service/Program. Add rows as needed to identify different sources of federal funds stipulated under the agreement.

Line 9: State DHHS Agreement Funds-General Fund: Enter the amount of funding from the State General Fund included in your DHHS grant allocation for this agreement. This information must be provided for each Service/Program.
Line 10: State DHHS Agreement Funds-Funds for Healthy Maine: Enter the amount of State funding received from the Funds for Healthy Maine allocation for this agreement. This information must be provided for each Service/Program.
Line 11: State DHHS Agreement Funds-Other: Enter the amount of funding from the State Other Fund included in your DHHS grant allocation for this agreement. This information must be provided for each Service/Program.
Line 12: Restricted United Way: Enter the amount of funding from United Way sources that has been donated for restricted use within each Service/Program.

Line 13: Restricted County, Municipal: Enter the amount of funding from all county and municipal sources that has been restricted for use within each Service/Program.
Line 14: Other Restricted Revenue: Enter contributions and donations designated by a donor for this program. If there are multiple sources, attach a separate sheet identifying the sources and amounts.
Line 16: Private Client Fees: Enter fees from clients who self-pay or are covered by third party insurance. Add rows as needed and identify each source of these funds.
Line 18: Agency Commitment to Program: Enter the amount of funding the *community agency* is pledging to the program. These funds represent a commitment to the program and include unrestricted donations that the agency commits to the program or the agency's own funds.
Line 20: Total Cost Shared Revenue: This amount is calculated by a formula in the cell and sums Lines 5 through 19. (<u>If rows have been added, make sure that cells containing formulas include the additional rows.)</u>

<u>Specific Instructions: Non Cost Shared Revenue (Lines 21 through 33)</u>

Non Cost Shared Revenues must be adjusted out item by item on the Rider F-1 Pro-Forma. Add rows as needed. When adding rows, make sure cells containing formulas are copied into the new rows or include the additional rows.

Line 22: Maine Care: Enter the amount of MaineCare revenue anticipated during the agreement period.
Line 23: Other Restricted Federal/State: Enter the amount of other federal/state funds anticipated for the program but not through this agreement.
Line 24 Third Party In-Kind: Enter the amount of third-party, non-cash donations of goods and or services from Budget Form 2-A. This line is for matching funds only. Non-matching in-kind should not be reported.
Line 25: Program Client Fees: Enter the amount of anticipated fees from clients who are subsidized by the program. This amount includes any deductibles, co-pays and sliding scale fees.
Line 26: Program Income: Enter the anticipated amount of all income that may be earned by the community agency as a result of this agreement. This amount includes, but is not limited to, the sale of product, rental and or conference fees, royalties, etc..
Line 29: Other Restricted Revenue (Purpose): Enter the amount of contributions or donations designated by the donor for a specific part of the program (i.e. equipment). These restricted revenues must be also entered in the Rider F-1 Pro-Forma, Part I as agreement adjustments. List each source and amount of restricted revenue.
Line 34: Total Non-Cost Shared Revenue: This amount is calculated by a formula in the cell and sums Lines 22 through 28.
Line 35: Total Revenue: This amount is calculated by a formula in the cell and sums Lines 20 and 34.

Line 36: Total Agency-Wide Revenue: Enter the total projected revenue for the entire agency (not simply this agreement) for the year.

Budget Form 2: Expense Summary

General Information on Budget Form 2

<u>To ensure accuracy and consistency, the columns on this form must correspond to the columns on Budget Form 1 and must include changes or additions made in the columns on Budget Form 1.</u>

This form consists of four sections which summarize the detailed information provided on the remaining budget forms.

1) Personnel Expenses *(Line 4 and 5)* (From Budget Form 3)
    - Personnel Expenses (Line 6) Third Party In-Kind (Match only) from Budget Form 2A.
2) Capital Equipment Purchases *(Line 8)* (From Budget Form 5, Line 8)
3) Sub-Recipient Awards (Line 9) (From Budget Form 5, Line 9)
4) All Other Expenses (Line 11 through 31) (From Budget Form 5, corresponding Line #s)
    - Indirect Allocated General and Administrative (Line 33) (This amount is calculated by multiplying Line 37 with Line 38).

Note: The amounts on Line 6 Third Party In-Kind (Match Only) and Line 28 Third Party In-Kind (Match Only) must agree with the information provided on Budget Form 2-A. The Revenue reported on Budget Form 1, Line 24 –Third party In-kind must agree with the total match expense on Form 2 on this page (the sum of Line 6 and Line 28) and the total amount on Budget Form 2-A

<u>Column 2 (Total Programs)</u>: This column is the SUM of Columns 3 through 7 and provides a summary of all services purchased through this agreement.

Columns 3 through 7 ("Service" and "Program"): Each DHHS funded "Service" and "Program" must be listed in a SEPARATE column and must correspond to the same order they appear on Budget Form 1 Revenue Summary.

Line 1: Service: Enter the service named in Rider A.
Line 2: Program: Enter the providing agency's program name, if any.
For example: "Service" Residential: Program: Maple St. Group Home.

Note:

- Agencies that are funded for five or fewer programs/services must provide all summary information on one sheet.

- Agencies that are funded for six or more programs/services must add additional columns to provide the required information. Each additional column must be labeled using consecutive numbers. Additional pages may be used as needed.

Specific Instructions: Expenses on Budget Form 2 by Line Number

Personnel Expenses (Lines 4 through 6)

The information for Lines 4 and 5 are developed and calculated on Budget Form 3. Each separate Service and Program must have a separate Budget Form 3. Specific instructions for Budget Form 3 are provided in the section labeled Budget Form 3 below. The information for Line 6 is developed on Budget Form 2A.

Line 4: Salaries/Wages: For each program, enter the amount found on Form 3 Direct Personnel Expenses, Column 8, Summary, "Total Salary" into the appropriate column (3 through 7) on Form 2.
Line 5: Fringe Benefits: For each program enter the amount found on Form 3 Direct Personnel Expenses, Column 8, Summary, "Total Fringe" into the appropriate column (3 through 7) on Form 2.
Line 6: Third Party In-Kind (Match Only): Enter the amount from Budget Form 2A.
Line 7: Total Personnel Expenses: This is a calculated field. The spreadsheet will sum Line 4, Line 5 and Line 6.

Line 8: Capital Equipment Purchases: Enter the total amount for capital equipment purchases. On Budget Form 5, provide details about the Capital Equipment purchases. Include your agency's capitalization policy. Capital equipment must be depreciated, unless specifically approved by the funding source. According to federal OMB Circular A-122, Appendix B, #15:

> "Equipment means an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of (a) the capitalization level established by the organization for the financial statement purposes, or (b) $5,000."

Note: When capital equipment purchases are included in the agreement, the capitalization policy of the provider must be submitted with this package.
All providers must ensure that no capital equipment, including building improvements, have been included in other expenses.

Sub-Recipient Awards (Line 9)

Line 9: Sub-Recipient Awards: Enter the total amount of all Sub-recipient Awards. On Budget Form 5, the following details for EACH sub-agreement for a DHHS funded program are required: Provider's name, dollar amount, time period and description of services.

- Sub-recipient awards between $5,000 and $25,000 must provide a signed MOU with a single one page budget.
- If the amount of the sub-recipient award is $25,000 or more, provide an MOU mirroring the DHHS agreement including Rider A, B & D and full budget forms.

All Other Expenses (Line 11 through 31)

Detailed information supporting these expenses must be provided on Budget Form 5. The amounts appearing on both Budget Form 2 and Budget Form 5 must agree.
Budget Form 2 and Budget Form 5 should be filled out simultaneously to ensure accuracy and consistency.
When separate Rider F-1s are required, separate Budget Form 5s must be created for each program/service. For this reason, the workbook does not automatically link Budget Form 2 with Budget Form 5. The providing agency must create the appropriate link. When only one Rider F-1 is required, link Budget Form 2 Column 2 with Budget Form 5. Budget Form 2 Column 2 is designed to sum Columns 3 through 7.
Three items listed under *All Other Expenses* do not appear on Budget Form 5.

- Line 24 Consultants-Direct Service information is provided on Budget Form 3 Column 9.
- Line 28 Third Party In-Kind is provided on Budget Form 2A.
- Line 29 Service Provider Tax, paid to Maine Revenue Service, requires no detailed information on Budget Form 5.

Information provided on Budget Form 5 must reveal all related party transactions. The expenses listed on these forms must relate directly to the programs and services provided. All indirect costs are addressed on Budget Forms 4, 4-A and 4-B.

Line 11: Occupancy - Depreciation: Enter the projected depreciation on agency-owned real property used by this specific program. If you enter a depreciation amount, provide the agency's total depreciation schedule with the budget forms. The depreciation schedule should include the acquisition date, the acquisition amount, accumulated depreciation, current depreciation and the net book value. Budget Form 5 must include the physical addresses of the depreciating property included in this agreement's expense.

Line 12: Occupancy - Interest: Enter the amount of mortgage interest projected for the period based on real property acquired after September 29, 1995. For interest on real property acquired on or before September 29, 1995, include the letter of approval form provided by the federal funding source when the acquisition was approved.

Line 13: Occupancy Rent: Enter the amount of rent or lease expense on real property that relates directly to the specific program or service covered by this agreement. On Budget Form 5, provide the physical address, the name of the landlord and the annual rent by address. Related party transactions must be disclosed.

Line 14: Utilities/Heat: Enter the amount of utilities and heat expenses directly associated with the program. Cable television may be included for residential programs. Internet services may be included in program expenses if the internet service is integral to the program.
Internet service for agency administrative functions belongs in indirect costs, if the agency includes an indirect allocated G & A on Line 33 of Budget Form 2.
On Budget Form 5, provide a quantified, brief detailed explanation of this expense. For example, 16 Oak St: Heat 2100gals @ $3.79; elec. $3100p.a..; 7 Elm St: Heat 1500gals @$3.79; elec. $1900p.a.. 12 Maple St: Heat 1700gals @$3.79; elec. $1900p.a..

Line 15: Telephone: Enter the cost for local and long distance services for both land-lines and cellular telephones. On Budget Form 5, provide a quantified, brief description. For example, six land-lines at $200 per month=$2,400p.a. Twelve cell phones at $900 per month = $10,800p.a. The total expense would be $13,200p.a.

Line 16: Maintenance/Minor Repairs: Enter the costs directly associated with maintaining and repairing owned or rented property. No capital improvements should be included in this expense. OMB-A122 clearly addresses this issue. On Budget Form 5, provide a quantified, brief description of this expense.

Line 17: Bonding and Insurance: Enter the projected expense directly related to this program/service for bonding and insurance (other than health insurance). OMB-A122 provides guidance on these expenses. On Budget Form 5, provide a quantified, brief explanation.

Line 18: Equipment Rental/Lease: Enter the projected expense for rented or leased equipment directly related to this program/service. On Budget Form 5, provide a quantified, brief explanation.

Line 19: Materials/Supplies: Enter the projected amount for office supplies, postage, non-capitalized equipment and other purchases necessary to provide direct services under this agreement. On Budget Form 5, provide a quantified, brief description of this amount.

Line 20: Depreciation (non-occupancy): Enter depreciation for equipment, vehicles etc. not included on Line 11. Attach the depreciation schedule which must clearly indicate the equipment included in this expense. The agency must ensure that this equipment is (1) used directly by this program/service (2) not included in other agreements or g&a indirect expenses, or (3) not fully depreciated already. On Budget Form 5, provide a brief description of this expense. For example, three trucks purchased in 2010 and two vans purchased in 2011.

Line 21: Food: Enter the projected expense for food directly associated with the program/services. On Budget Form 5, provide a quantified, brief explanation. For residential programs, for example, state three meals a day for 60 clients. Food provided for volunteer board meetings must be separately described. OMB Circular A122 provides additional guidance. Light refreshments for volunteers are appropriate. Catered events or restaurant outings for the paid staff are not appropriate use of funds.

Line 22: Client-related Travel: Enter the travel expense for providing direct services to clients. This expense includes, for example, mileage for home visits or fuel for agency owned vans which transport clients. All expenses for client-related travel appear on this line except for vehicle depreciation, which appears on Line 20.
On Budget Form 5, your agency's mileage reimbursement rate must be entered. The reimbursement rate for mileage charged to DHHS funded programs cannot exceed the reimbursement rate allowed for State employees. (5M.R.S.A. §1541.13.A.). *Any reimbursement above the State rate must be paid with unrestricted funds and adjusted out on Rider F-1.*
Out of State travel using DHHS funds must have the prior approval of the SPOC (Single Point of Contact).

Line 23: Other Travel: Enter the projected travel expense required for non-direct client services, such as attending trainings. All expenses for other travel appear on this line except for vehicle depreciation, which appears on Line 20. On Budget Form 5, provide a quantified, brief explanation of this travel.
On Budget Form 5, your agency's mileage reimbursement rate must be entered. The reimbursement rate for mileage charged to DHHS funded programs cannot exceed the reimbursement rate allowed for State employees. (5M.R.S.A. §1541.13.A.). *Any reimbursement above the State rate must be paid with unrestricted funds and adjusted out on Rider F-1.*
Out of State travel using DHHS funds must have the prior approval of the SPOC (Single Point of Contact).

Line 24: Consultants – Direct Service: Enter the amount calculated on Budget Form 3, Column 9, and "Consultants-Direct Service" Total Costs. Detailed information must be provided on Budget Form 3. See Instructions for Budget Form 3 below for additional guidance.

Line 25: Consultants – Other: Enter the projected expense associated with any person or organization providing non-clinical, consultative services to the program, except the Independent Public Accountant. Consultants-Other includes payroll services, general bookkeeping services, transcription services, interpreter services, security services and legal services. On Budget Form 5, include the names of these providers, description of service and the estimated cost for each provider.

Line 26: Independent Public Accountant: Enter the projected expense for your independent public accountant for audit or review services. Do not include amounts paid for payroll or general accounting services. Those expenses should be recorded on Line 25, Consultants-Other.

Line 27: Technology Services/Software: Enter the projected expense for computer programming and software. On Budget Form 5, provide a quantified, brief explanation.

- The software on this line is the "shrink wrapped" product available on-line or through a local retailer. Software expense that exceeds your capitalization level should be capitalized and depreciated.

- The purchase of computer equipment must be quantified and explained. Laptops do not need to be replaced annually. Quantify the number of computers to be purchased and provide an explanation. Purchasing computer equipment individually to circumvent the capitalization policy is not allowed. Budget Form 5A provides additional space to quantify and explain computer equipment purchases.
- The cost of system support must be quantified and described separately. Payroll for an IT employee does not belong in this category. IT payroll is either an administrative expense on Budget Form 3 or an Indirect Expense on Budget Form 4B.

Line 28: Third Party In-Kind: Details must be provided on Budget Form 2A In-Kind Resource Donation. The instructions for Budget Form 2A appear below. This information does not appear on Budget Form 5.

Line 29: Service Provider Tax: Enter the projected expense for the Service Provider Tax to be paid to Maine Revenue Service. This information does not appear on Budget Form 5.

Line 30: Training/Education: Enter the projected expense for Training or Education. On Budget Form 5, provide a quantified, brief explanation of this expense indicating the number of employees or others to be trained, purpose of training and location of training.

Line 31: Miscellaneous: Enter expenses not included in any other category. A quantified breakdown by category of expense is required for any component exceeding $1,000 in Miscellaneous. List each item and identify the expense amount on Form 5 and provide an explanation. Budget Form 5A is provided to permit greater detailed information in a standard format for Miscellaneous.

For example, if the total amount for Miscellaneous is $6,000, list all components: Advertising and recruiting for new employees: $5,500; Other Expense: $500. (The unexplained total is less than $1,000.)

- If the list includes Dues and Subscriptions provide the names of the organizations to which you are paying dues and list all subscriptions. Some of these expenses may not be allowable under OMB A-122.

Line 32: Subtotal All Other Expenses: This is a calculated field. The formula in this cell will sum Lines 11 through 31. *If additional lines have been created, check the formula in this cell for accuracy.*

Line 33: Indirect Allocated –G&A: This field is calculated by multiplying the agency's allocation base on Line 37 with the Indirect Cost Rate on Line 38. Line 38 should link to Budget Form 4 Line 6.

Line 34: Total All Other Expenses: This is a calculated field with a formula in the cell. The spreadsheet will sum Lines 32 and 33.

Line 35: Total Expenses: This is a calculated field with a formula in the cell. The spread sheet will sum Line 7, Line 8, Line 9 and Line 34.

Line 36: Total Agency-Wide Expenses: Enter the total projected expenses for the entire agency for the agreement period. For most non-profits, this amount and the amount on Budget Form 1, Line 36 is identical. This is not true of hospitals or educational institutions.

Line 37 Allocation Base: Enter your agency's allocation base.

Total Agency Wide Expenses on Line 36 is not an appropriate allocation base.

The following allocation bases are acceptable examples for use when indirect costs are allocated to benefiting cost objectives by means of an indirect cost rate.

a. Direct salaries and wages including or excluding all fringe benefits.
b. Direct salaries and wages including vacation, holiday, sick pay and other paid absences, but excluding all other fringe benefits.
c. Total direct cost excluding capital expenditures, sub-recipient awards and distorting items.

See OMB Circular A-122 for additional guidance.

The selection of an appropriate allocation method should be based upon the commonality of costs to all cost objectives. In general, a correlation exists between administrative effort and the expenditures for direct labor. In most cases, a direct labor base will produce an equitable distribution of indirect costs. However, where the ratio of direct labor to total direct costs varies significantly from program to program, an adjusted total direct cost base should be used in allocating costs to benefiting programs.

Line 38: Indirect Cost Rate: This should link to Budget Form 4, Line 6.

Budget Form 2A: Third Party In-Kind Resource Donation

This form consists of three boxes. A separate box of information must be completed for each type of in-kind resource included in this agreement and detailed in the accounting records. If necessary, additional boxes may be added to this sheet.

In-kind expenses are third-party, non-cash donations of goods and/or services.

Examples:

- A shelter that provides meals may receive food donations from a grocery chain or food collected and contributed by a volunteer organization.
- A social service agency may receive donations of services from volunteers or college interns who contribute their time at no charge for the benefit of the organization.

- In-Kind may be listed on the budget forms only if the contribution is from a third party. For example, the time contributions of salaried employees of the agency may not be listed as in-kind. They are not third party and their contribution may be part of their regular job duties.

$: Enter the estimated dollar value of the donation
Of In-Kind: (Describe): Identify the item, service or resource being contributed.
Shall be furnished by: Identify clearly the source of the donation.
Explanation: Provide an explanation of how the dollar value was determined.
Shall be used as matching funds for: Check applicable box. If you check other, provide explanation.

Budget Form 3: Direct Personnel Expenses

A ***separate*** Budget Form 3 must be completed for each DHHS funded program summarized on Budget Form 1 and for each residential site within a program, as directed by the SPOC (Single Point of Contact). In other words, if there are four columns for service/program on Budget Forms 1 and 2, in addition to the summary column, there must be four Budget Form 3s submitted.
When separate Budget Form 3s are created, the totals on each form must agree with or be *linked* electronically to the information in the appropriate column on Budget Form 2.
Budget Form 3 supports both the Personnel Expense (Budget Form 2, Lines 4 & 5) and Consultant- Direct Service (Budget Form 2, Line 24).
The Personnel Expenses are divided into two sections:

- Direct Care/Clinical Staff on Lines 2 through 13.
- Administrative Staff (Non Indirect Allocated) on Lines 16 through 19.

BECAUSE SOME PROVIDERS MUST SUBMIT MULTIPLE BUDGET FORMS 3, THE FORM IS NOT LINKED ELECTRONICALLY TO BUDGET FORM 2. EACH PROVIDER SHOULD CREATE THE APPROPRIATE LINKS BETWEEN TOTAL SALARIES IN COLUMN 8 TO BUDGET FORM 2 LINE 4 AND TOTAL FRINGE TO BUDGET FORM 2 LINE 5. THE TOTAL AMOUNT FOR CONSULTANTS - DIRECT SERVICE ON BUDGET FORM 3 COLUMN 9 LINE 35 SHOULD LINK TO BUDGET FORM 2 LINE 24.

Specific Instructions by Column and Line for Budget Form 3 Appear Below
Column 1 Position Title: Provide your agency's position title for each staff member in this column. Include the first initial and surname of the individual associated with this position. If vacant, insert the word vacant.

Line 2-13: Direct Care/Clinical Staff: These positions carry caseloads, provide services directly to clients and produce billable units of service or provide the non-client services described in Rider A purchased under the terms of the agreement.

Line 14: Total FTE: Enter the number of FTEs (Full-time equivalents) providing direct services for this program. In general, an FTE equals 2080 hours/year (40 hours multiplied by 52 weeks). This is the maximum number of hours that can be charged for any individual employee when calculating FTEs.

Lines 16-19: Administrative Staff: These positions provide clinical or administrative support or supervision to Direct Care/Clinical Staff. Working supervisors must be shown in this category and in the Direct Care/Clinical Staff category in proportion to the time spent in each activity. Agencies that allocate expenses of administrators directly to program may show those allocations on this form; agencies that are wholly funded by DHHS and have a small number of programs typically use this allocation method. Include both the position title and the individual name associated with this position. If vacant, list vacant.
Agencies with indirect, general & administrative expenses allocated to each funded program through an indirect cost pool must complete Budget Forms 4, 4-A and 4-B to allocate indirect personnel costs. These costs may not be included on Budget Form 3.

Line 20: Total FTE: Enter the number of FTEs (Full-time equivalents) providing administrative services for this program. In general, an FTE equals 2080 hours/year. This is the maximum number of hours that can be charged for any individual employee when calculating FTEs.

Line 21: Totals: In Column 4, sum the total # Annual hours spent on Program. In Column 5, sum the total amount of the Direct Program Salary for Agreement Period.

<u>Column 2</u> Credential: Enter the credentials/certifications for each staff person/position listed in Column 1. For example, MHRT II, LCSW, RN, CDA/Degree, etc.

<u>Column 3</u> Total Annual Salary for Agreement Period: Enter the TOTAL annual salary amount for the agreement period for each staff position in whole dollars. Generally, the agreement period is annual, but some agreements may have shorter or longer time periods.

<u>Column 4</u> Total # Annual Hours Spent on Program: Enter the TOTAL hours this staff person spends on this program, in whole hours. The maximum number of hours per annum is 2080, based on 40 hours per week and 52 weeks.

<u>Column 5</u> Total Direct Program Salary for Agreement Period: Enter the amount of salary received by the staff person for this program in the agreement period, rounded to the nearest whole dollar.
This column reflects information from Column 3 and Column 4. For example, if the total annual salary amount in column 3 is $50,000, and the hours in Column 4 are 1040, then the amount in this column (Total Direct Program Salary) would be $25,000. This amount reflects two numerical facts: (1) an annual salary of $50,000(in Column 3) and (2) half their annual hours (2080 hours divided by 2= 1040 hours) (Column 4) equals $25,000.

Column 6 is intentionally left blank.

Column 7 Total Fringe Benefits: Enter the dollar amount for each fringe benefit listed. Line 29 and the % salary are calculated fields. FICA may not exceed 7.65% of salaries and should include both the Social Security and Medicare tax. When you use Line 28 Other, provide details in the remarks section of Column 8.

Column 8 Summary: The amounts in these fields are linked to other cells on this spreadsheet. Total Salary in Column 8, Line 23, is linked to Column 5, Line 21, the sum total of Direct Program Salaries for Agreement Period. Total Fringe in Column 8, Line 24 is linked to Column 7, Line 29. These totals, in turn, are the amounts that must appear on Budget Form 2, under Personnel Expense on Lines 4 and 5 respectively. **BECAUSE MANY PROVIDERS MUST SUBMIT MULTIPLE BUDGET FORMS 3, THE INFORMATION IN COLUMN 8 IS NOT LINKED IN THIS WORKBOOK. THE PROVIDER MUST CREATE THE APPROPRIATE LINK.**

Column 9 Consultants – Direct Service: All Consultants providing direct service through this agreement must be listed in this section which consists of six columns. The first five columns provide information on the consultant. The sixth column is a calculated field based on the information included in column 4 and column 5. Additional rows may be inserted, if needed.

Lines 32-34: Under **Service**, list the service provided by the consultant. Under **Name**, provide the name of the consultant that relates to the aforementioned service. Under **Credential**, provide the consultant's credentials. Under **Hourly Rate**, provide the hourly rate agreed on for this consultant. Under **# Annual Hours**, provide the number of hours that this consultant will be paid under this agreement. The Total Cost is the Hourly Rate multiplied by the # Annual Hours. A formula in this cell should calculate this amount.

Line 35 Total: This cell contains a formula which sums Total Cost by individual consultant. This amount must be the same as Budget Form 2, Line 24 in the applicable column. **BECAUSE MANY PROVIDERS MUST SUBMIT MULTIPLE BUDGET FORMS 3, THE INFORMATION IN COLUMN 9 IS NOT LINKED IN THIS WORKBOOK. THE PROVIDER MUST CREATE THE APPROPRIATE LINK.**

Budget Form 4: Indirect Allocation (G & A) Summary

Budget Form 4 and its support schedules, Budget Form 4A and Budget Form 4B, provide information on the community agency's indirect costs.

Line 1: Indicate in the appropriate box if your agency has indirect costs?

- If No, disregard the remainder of Form 4 and Form 4A and Form 4B.
- If Yes, proceed to Line 2.

Line 2: Indicate if your agency has an approved indirect cost rate from the federal government.

- If No, proceed to Line 3.
- If Yes, Enter the rate and include the letter with the budget submission.
  Also insert the rate in the box on Line 6.
  The rate on Line 6 links to Budget Form 2 and calculates the Indirect Allocated G&A on Line 34.

Before proceeding with the rest of Budget Form 4, both Budget Form 4A and Budget Form 4B must be completed.

- Budget Form 4B needs to be completed first. Budget Form 4B provides the detailed indirect Personnel Expense Summary, which supports Personnel Expenses on Budget Form 4A, Line 3.
- Budget Form 4A adds the indirect personnel expenses to the other expenses to develop the Total Indirect Expenses in Column 2, Line 26. This amount is carried to Budget Form 4, Line 5, Total Agency Wide Indirect Costs.

<u>Once these forms have been created annually by the agency, the information should simply be pasted into each new agreement. Verify that the header information is accurate after pasting these forms into a new agreement. Specific instructions for completing Budget Forms 4A and 4B appear below.</u>

Instructions for the remainder of Budget Form 4 are below.

Line 3: Indicate with an X the allocation method your agency uses to distribute its indirect costs.

According to OMB Circular A-122, there are four methods of allocating indirect costs.

- Simplified Allocation Method
- Multiple Allocation Method
- Direct Allocation Method
- Special Indirect Cost Rates

The selection of an appropriate allocation method should be based upon the commonality of costs to all cost objectives. In general, a correlation exists between administrative effort and the expenditures for direct labor. In most cases, a direct labor base will produce an equitable distribution of indirect costs. However, where the ratio of direct labor to total direct costs varies significantly from program to program, an adjusted total direct cost base should be used in allocating costs to benefiting programs.

Detailed information on these methods is available in OMB Circular A-122.

<u>For most agencies, the simplified method of allocating indirect costs is best. A basic example of the concept is described below:</u>

<u>Rate Calculation:</u>

- Organization XYZ has Total Indirect Costs = $100,000
- Organization XYZ Has Direct Salaries & Wages (Distribution Base) = $1,000,000
- Indirect Cost Rate = 10% = $\frac{\$100,000}{\$1,000,000}$

Rate Application to Grants:

- Grant A has Direct Salaries & Wages (Allocation Base of $40,000
  - Indirect Allocated G&A = $4,000 (10% X $40,000)
- Grant B has Direct Salaries & Wages (Allocation Base) of $65,000
  - Indirect Allocated G&A = $6,500 (10% X $65,000)
- Grant C has Direct Salaries & Wages (Allocation Base of $25,000
  - Indirect Allocated G&A = $2,500 (10% X $25,000)

Line 4: Indicate with an X the distribution base your agency uses to allocate its indirect costs. The choices are Total Salaries, Total Direct Costs or Other. Then provide the amount of the distribution base in the appropriate box.

Line 5: Enter the Agency Wide Indirect Costs from Budget Form 4A Line 26.

Line 6: The agency indirect cost rate is calculated by dividing the amount on Line 5 (Total Agency Wide Indirect Costs) by the amount on #4 (agency distribution base). This cell should link to Budget Form 2 Line 38.

Once these forms have been created by the agency, the information should simply be pasted into each new agreement.
Verify that the header information is accurate after pasting these forms into new agreements.

Form 4A: Agency-Wide Indirect Expense Summary

Agencies with an approved indirect cost rate need not complete this form.
The information on this form develops the Total Indirect Expense by combining the personnel expense developed on Form 4B and appearing on Line 3 of Form 4A with Indirect Other Expenses listed on Lines 7 through 24.
Column 2, Line 26 of Form 4A must be the same amount as Form 4, Line 6.

Agencies that use a multiple allocation base method must refer to OMB Circular A-122, D,3 (Multiple Allocation Method) for guidance on cost grouping and pools of cost.

Form 4B Agency-Wide Indirect Personnel Summary

Budget Form 4B provides the Indirect Personnel Expense by Cost Pool (or Cost Center). If an employee is assigned to a specific service which is the sole focus of his work time, then his wages or salary is a direct cost and must be shown on Budget Form 3. However, when an employee is not assigned to a specific service, his wages or salary is shown on Budget Form 4B. Cost pools (or cost centers) are groups of like costs (such as Administration or Facilities) that relate to services. On Budget Form 4B, indirect personnel should be listed and segregated by cost pool in columns 3 through 7 (more columns may be used if necessary).

- Column 1: List Position/title
- Column 2: List total annual salary for each position/title shown in Column 1.
- Column 3 through 7 (add more columns if needed): For each position/title shown in Column 1, enter the salary amount in the appropriate cost pools.

Budget Form 5 Expense Details

Instructions Provided with Budget Form 2 Expense Summary
The instructions for Budget Form 5 were included with the instructions for Budget Form 2. Budget Form 5 provides the expense details for Budget Form 2. The amounts on Budget Form 2 must agree with the amounts on Budget Form 5. A separate Budget Form 5 is required for each Rider F-1 Pro-Forma.
BECAUSE SOME PROVIDERS MUST SUBMIT MULTIPLE BUDGET FORMS 5, THE FORM IS NOT LINKED ELECTRONICALLY TO BUDGET FORM 2. THE PROVIDING AGENCY MUST CREATE THE APPROPRIATE LINK.

Budget Form 5A Supplemental Information

Budget Form 5A provides space for supplemental information. The space for detail information on Budget Form 5 is occasionally inadequate for the necessary information. Providers are encouraged to use 5A for expenses that require additional details.

Rider F-1: Pro-Forma

Effective July 1, 2012, the revised Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) require all agreements to include a Pro-Forma. The Rider F-1 is the appropriate Pro-Forma.

This Pro-Forma determines the expenses allocable to the agreement and illustrates the applicable closeout method.
The projected budget categories and amounts on Budget Form 1 define the eliminations and adjustments on the Rider F-1 Pro-Forma which are required prior to settlement.

Typically, separate Rider F-1 Pro-Formas will be required for each service cluster purchased, as determined by the SPOC (Single Point of Contact). This practice ensures that revenue and expenses approved for a specific program are not inappropriately shifted to another program.

The general MAAP rules regarding the Pro-Forma are provided below and appear on page 21 of the revised MAAP:

(a) The agreement must include a pro forma that clearly identifies the steps necessary to reach an accurate settlement.
(b) Community agencies entering into Department agreements must follow the cost sharing methodology described in the agreement and as reflected in the pro forma included in the agreement document except as detailed in (c) below.
(c) Community agencies are required to follow applicable federal circulars, program regulations and MAAP restrictions, even if those restrictions are not expressly set forth in the pro forma. For example, bad debt will always be eliminated against expense as an unallowable expense, even if the pro forma did not show bad debt being eliminated. If during the settlement process the community agency notes that the pro forma did not accurately reflect the restrictions imposed by federal circulars, program regulations and MAAP restrictions, the final settlement to the Department must be based on the actual restrictions even when not consistent with the agreement pro forma.

General Information

The Rider F-1 Pro-Forma contains information in three sections.

1. **Header** contains three fields that do not appear on the other budget forms: Fiscal Year End, Funding Department, and Agreement Amount. These three fields will have to be completed. The other fields are linked to Budget Form 1.
2. **Part I: Agreement Totals:** Part 1 consists of two sections (Agreements Totals and Agreement Adjustments with three columns for Revenue, Expenses and Balance.
   Line 1 Column 1 is the Revenue from Budget Form 1, Line 35.
   Line 1 Column 2 is the Expenses from Budget Form 2, Line 35.
   Line 1 Column 3 is Column 1 less Column 2.
   Lines 2 through 8 are for agreement adjustments. These are revenues and related expenses which must be excluded from cost sharing. They are the revenues reported on Budget Form 1 Line 21 through 33, Non Cost Shared Revenue.
   Line 9 Total Adjustment sums the adjustments on Line 2 through 8.
   Line 10 Total Available for Cost Sharing is Line 1 minus Line 9.

3. **Part II: Agreement Cost Sharing**

   The cost sharing calculation in Part II of Rider F-1 will determine the appropriate allocation of expenses for settlement purposes. **Subsequent budget revisions and amendments require a revised budget and recalculation and resubmission of the Rider F-1.**

Line 11 Agreement # (State Funds): This is the total amount of state funds from Budget Form 1 Lines 9, Line 10 and Line 11.
Line 12 Agreement # (Federal Funds): This is the total amount of federal funds from Budget Form 1 Lines 5 and Line 6.
Line 13 All Other Unrestricted: This includes Private Client Fees on Form 1 Line 16 and the Agency Commitment to Program (including fundraising, donation, etc.) on Form 1 Line 18 and Line 19 (if applicable).
Line 14 All Other-Restricted to the Program The Restricted United Way contributions, Restricted Municipal/County contributions and all other restricted income to the program are now available for cost-sharing according to the revised MAAP rules. These amounts appear on Budget Form 1 Lines 12, Line 13, Line 14, and Line 15 (if applicable). All revenue that has been restricted to the program is subject to cost-sharing.

Additional guidance on items to be adjusted from the pro-forma is provided in revised July 2012 MAAP IV. The website address appears on page 1 and a section is quoted below.

MAAP rules for cost sharing agreements from page 22 of MAAP IV Cost Sharing Settlements: The Department enters into agreements where the Department participates in programs with multiple funding sources. Below are Department cost sharing principles to be followed in the budgeting and settlement process:

(a) Unrestricted revenues shall be specifically identified as such in the agreement budget. These amounts are comprised of revenues such as private client fees and the community agency's commitment to the program. The agency's stated commitment to the program shall be included in the final settlement whether or not the community agency transferred these funds to the program. In addition, revenues that have been designated to the program by such sources as local governments, United Way or other private organizations or individuals will be identified as such in the agreement budget and treated as unrestricted revenue for cost sharing purposes. All unrestricted revenues are to be cost shared in the final settlement with the Department.
(b) Restricted revenue (revenue designated for a specific purpose) must be eliminated against program expenses dollar for dollar prior to cost sharing.
(c) Revenue from other federal and state funding sources that are not considered agreement revenue must be eliminated against program expense dollar for dollar prior to cost sharing.
(d) Program income such as client fees (program) must be eliminated against program expenses dollar for dollar prior to cost sharing. Client fees (private) must be made available for cost sharing, unless specifically restricted against identified expenses in the budgeting process.
(e) All MaineCare revenue, whether fee for service, unit based or cost settled, must be eliminated dollar for dollar against expense prior to cost sharing.
(f) An agency must eliminate all in-kind revenue and expenses prior to cost sharing. In-kind revenue and expenses are third party non-cash transactions that add benefits to a program.

(g) An agency must eliminate all subcontract revenues and related expenses prior to cost sharing.
(h) If an agreement award has multiple pro-formas, a final settlement must be prepared consistent to the pro-formas.
(i) The final financial report (agreement closeout report) must include the total Department agreement amount less any subcontract amount as available revenue for settlement purposes.

Rider F-2: Agreement Compliance Form

The Rider F-2 Agreement Compliance Form must be completed by the SPOC (Single Point of Contact). The Rider F-2 provides the agency and the Independent Public Accountant (IPA) with the Department's compliance requirements for audits of this agreement. Most of the compliance requirements are pre-determined by federal and state rules. The SPOC may add requirements based on the projected budget.