

**Adult Children of Alcoholics & Dysfunctional Families
World Service Organization (ACA WSO)**

Cost Allocation Policy

Effective Date: June 5, 2025

Prepared by: Sylvia Meyer, Controller and Bill Dalton, General Manager

Approved by: Finance Committee on May 2, 2025 and Audit Committee on May 3, 2025

Approved by: Board of Trustees on June 5, 2025.

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Purpose

The purpose of this Cost Allocation Policy is to document the methods and procedures that ACA WSO uses to allocate costs across its three primary functional areas:

1. Program Services
2. Management & General (M&G)
3. Fundraising

This policy ensures accuracy in financial reporting, promotes equitable allocation of shared costs, and supports responsible stewardship of organizational resources. Though ACA WSO does not receive government grants, this policy is consistent with the Direct Allocation Method as described in OMB Circular A-122 (now codified as 2 CFR Part 230) and supports the appropriate classification of functional expenses in accordance with nonprofit accounting standards.

Three Primary Functional Expense Areas

1. Program Services

Program Services are the primary activities that directly fulfill ACA WSO's mission. These efforts provide value to the ACA fellowship and the broader recovery community.

Program Services include:

- a. Literature Distribution
 - i. Printing, warehousing, and distributing ACA literature and recovery material
 - ii. Managing inventory and fulfilling orders through various platforms

- b. Publishing and Translations
 - i. Developing and editing new ACA literature
 - ii. Managing translation projects to make ACA literature accessible worldwide
 - iii. Protecting copyrights and trademarks that are integral to literature and fellowship resources
- c. Member Services and Fellowship Support
 - i. Responding to inquiries from members via email and phone
 - ii. Maintaining the ACA website and meeting finder
 - iii. Supporting ACA groups, intergroups, and regions
- d. Hosting the ACA World Convention and other fellowship-wide events
 - i. Annual Conference Support (ABC/QDMs)
 - ii. Planning and supporting the Annual Business Conference and Quarterly Delegate Meetings
 - iii. Facilitating the delegate structure and communication between WSO and the fellowship
- e. Shared costs (e.g., salaries, office space, technology) are allocated to Program Services based on appropriate usage metrics, such as staff time, square footage, or transaction volume.

2. Management & General (M&G)

Management & General encompasses administrative and oversight functions that are not identifiable with specific programs or fundraising activities. These include:

- a. Finance and accounting related activities
- b. Legal and regulatory compliance
- c. Renewing trademarks and registering copyrights primarily for organizational identity, compliance, or general administration
- d. Board of Trustees support and governance
- e. Human resources and general office administration
- f. Organizational planning and oversight function
- g. Shared costs are allocated to M&G based on staff time spent on these activities or other rational bases consistent with the Direct Allocation Method.

3. Fundraising

Fundraising includes all activities undertaken to generate voluntary contributions that support ACA WSO's operations. These include:

- a. Developing and maintaining donor communications
- b. Managing online contribution platform
- c. Processing and acknowledging member and group contributions
- d. Creating fundraising campaigns or appeals
- e. Only costs that are clearly identifiable with fundraising activities are charged to this function. Shared costs are allocated to Fundraising based on time tracking, usage records, or estimated effort.

Types of Costing Methods

1. Direct Costs
2. Shared Direct Cost
3. Indirect Costs

Only allowable and reasonable costs will be allocated in compliance with nonprofit accounting standards.

General Allocation Approach

1. Direct costs are charged directly to the benefiting functional area.
2. Shared direct costs are allocated using reasonable and consistent bases (e.g., time tracking, square footage, usage).
3. Indirect costs are pooled and allocated proportionally across Program Services, Fundraising, and M&G using established metrics such as salaries or total expenses.

The allocation bases are described by the cost category below.

A. Compensation for Personal Services

Salaries and wages are allocated based on actual effort. Employees who support more than one function must track or estimate the time spent. Benefits and paid time off are allocated using the same method as wages.

Sample Employee Time Allocation Percentages

ACA WSO allocates staff compensation based on the following percentage distributions, which reflect employee roles and responsibilities across functional areas:

Employee Name	Program	M&G	Fundraising
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Executive Secretary	100%	0%	0%
IT Manager	90%	5%	5%
Warehouse	100%	0%	0%
eCommerce Specialist	100%	0%	0%
Members Services	50%	50%	0%
General Manager	63%	35%	2%
Finance Controller	0%	100%	0%
Bookkeeper	5%	90%	5%

These percentages guide payroll allocations for each pay period and are reviewed annually or as roles shift.

B. Insurance

- Function-specific insurance is charged directly.
- Organization-wide policies are allocated based on functional expense ratios.
- Workers' compensation is allocated based on salary allocation.

C. Professional & Contracted Services

- Directly charged when applicable.
- Shared services (e.g., legal, accounting, consultants) are allocated based on expense or usage ratios.

Vendor/Service Provider	GL Code	Allocation Method
Copyright & Trademarks	6056	Direct or Time Allocate by Purpose
Accounting Expense	6081	Direct
Legal Fees	6082	Direct
HR Consulting	6083	Direct

D. Audit Costs

- Specific program audit activities are charged directly.
- General audit costs are treated as M&G and allocated by expense ratios.

E. Postage

- Direct postage (e.g., shipping literature) is charged to the appropriate function.
- Shared or general postage is allocated based on personnel in the office.

F. Printing and Translation

- Function-specific materials (e.g., books, fundraising letters), whenever available are charged directly.
- Shared or administrative print/translation costs are allocated across applicable functions.

G. General Office Equipment

- Dedicated use items are charged directly.
- Shared equipment and maintenance are allocated based on usage.
- Supplies such as paper and printer ink are allocated based on the percentage of time each employee spends in the office, consistent with their role allocation across Program, Management & General, and Fundraising. These allocations are calculated using employee headcount and time distribution data to ensure accuracy and fairness.

H. Equipment / Depreciation

- Items over \$1,000 are capitalized and depreciated.
- Depreciation is allocated based on equipment usage.
- Non-capital items follow Section I rules.

I. Telephone / Communications

- Direct communication tools are charged accordingly.
- Shared services (e.g., Slack, Google Workspace) are allocated proportionally.

J. Training / Conferences / Seminars

- Specific training is charged directly.
- General/professional development is allocated by salary ratios.

K. Travel Costs

- Travel that benefits one function is charged directly.
- Shared or multi-function travel is allocated by salary ratios.

L. Facilities Expenses

- Function-specific space (e.g., storage for literature) is charged directly.
- Shared spaces are allocated by square footage or employee use.
- Administrative space is allocated as M&G.

Sample Facilities Space Allocation

Facilities costs are allocated based on square footage used by each function. The following table shows an example distribution of space at ACA WSO.

Location	SQ Feet	Program Sq Ft	M&G Sq Ft	Fund Sq Ft	Program %	M&G %	Fundraising %
Warehouse	4,173	4,173	-	-	100%	0%	0%

Office 1	154	97	54	3	63%	35%	2%
Office 2	80	80	-	-	100%	0%	0%
Office 3	304	304	-	-	100%	0%	0%
Office 4	168	-	168	-	0%	100%	0%
Office 5	126	6	113	6	5%	90%	5%
Office 6	112	112	-	-	100%	0%	0%
Office 7	391	391	-	-	100%	0%	0%
Ladies	35	22	12	1	64%	35%	2%
Men's	80	51	28	1	64%	35%	2%
Lunchroom	247	157	86	4	64%	35%	2%
Member Services/Open area	1,121	561	561	-	50%	50%	0%
Conference Room	378	359	19	-	95%	5%	0%
Total	7,369	6,313	1,041	15	86%	16%	0%

Actual usage is reviewed annually and updated as necessary to ensure accurate allocation.:

Note: This table informs how rent, utilities, janitorial services, and other space-related costs are allocated monthly in the accounting system.

M. Cost of Goods Sold (COGS)

Costs related to the production, procurement, and distribution of ACA WSO literature are considered **Direct Program Costs**. These include:

- Printing or reprinting books and pamphlets
- Packaging and shipping materials
- Inventory purchased from outside vendors
- Warehousing and order fulfillment fees

COGS is recorded on an accrual basis and directly charged to the Program class Literature Distribution.

N. Technology Costs (Software and Website Management

- Program-Specific Technology: Charged directly.
- Shared Subscriptions & tools: (e.g., Dropbox, ChatGPT): Allocated by user access or benefit.
- Website: If software is identified, it is charged directly: otherwise, costs are allocated across Program, M&G, and Fundraising based on estimated use.
- Default Method: Personnel/time-based ratios when specific usage data is unavailable.

Technology Cost Allocation Worksheet

Some examples, but not limited to, are:

Name	GL Short	Allocation/Direct	Program %	M&G %	Fundraising %
Website Software	6091	Direct	100%	0%	0%
Video Conferencing	6092	Shared Technology	70–80%	20–30%	0%
Cloud Storage, Hosting & AI	6092	Shared Technology	50%	50%	0%
Adobe/Mailchimp/etc.	6092	Direct	100%	0%	0%
Sales Support	6094	Direct	100%	0%	0%
Inventory Software	6095	Shared Technology	80%	20%	0%
Accounting Software	6095	Direct	100%	0%	0%

O. Bank and Merchant Fees

Bank service charges and merchant processing fees (e.g., credit card, PayPal, Stripe) are charged directly to the benefiting program area when identifiable. For example:

- Credit card fees related to book purchases → Publishing
- Credit card fees related to donations → Fundraising
- Fees related to event registrations → Publishing unless it's for fundraising
- General or mixed-use accounts → Allocated to Management G&A

These transactions are reviewed monthly and coded accordingly to ensure proper classification.

P. Contractors

Contractors are categorized by role and scope of work. These costs are considered direct unless shared services are identified.

Sample Contractor Allocations

Contractor	GL Code	Allocation Method
Publishing	6055	Direct
Translators	6084	Direct
IT Contractor	6085	Direct if identified otherwise Time Allocation
Social Media	6086	Direct

Accounting Contractors	6086	Direct
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Q. Other Cost

- Direct if clearly associated with one function.
- Shared expenses (e.g., software, licenses) are allocated by benefit/use.
- Payroll service fees (e.g., ADP) are allocated based on the number of employees assigned to each function.

R. Review and Maintenance

Refer to the policy content above for detailed guidance under this section.

S. Summary of Allocation Methods by Cost Category

Cost Category	Allocation Method
A. Compensation for Personal Services	Salaries, fringe benefits, and PTO allocated based on actual time spent.
B. Insurance	Program-specific charged directly; shared policies allocated by functional expense ratios.
C. Professional & Contracted Services	Direct if program-specific; shared services allocated based on benefit.
D. Audit Costs	Direct for specific audit work; general audit fees allocated to M&G.
E. Postage	Direct where possible; shared mailings use Program / M&G / Fundraising.
F. Printing and Translation	Charged directly when specific; shared/admin allocated proportionally.
G. General Office Equipment	Dedicated use charged directly; shared equipment allocated by expense ratio.
H. Equipment / Depreciation	Items >\$1,000 capitalized; depreciation allocated by usage.
I. Telephone / Communications	Direct when identifiable; shared tools allocated proportionally.
J. Training / Conferences / Seminars	Direct for specific training; general training allocated by salary distribution.
K. Travel Costs	Direct for program-specific; shared travel allocated by salary/time ratios.
L. Facilities Expenses	Direct for program-specific space; shared space allocated by square footage.
M. Cost of Goods Sold (COGS)	Direct expense for literature; includes printing, shipping, packaging.
N. Technology Costs	Direct for platform-specific; shared subscriptions allocated by benefit or personnel use.
O. Bank and Merchant Fees	Direct when traceable; otherwise M&G.
P. Contractors	See contractor table for allocation details.