Overhead Calculation

Most nonprofits have three categories of expenses:

Administrative Expenses (Also known as Management and General Expenses) – The costs associated with sustaining the operation of your organization.

Fundraising Expenses – The costs incurred to bring in additional revenue for your organization, particularly in relation to the solicitation of donations, gifts, grants, etc.

Program Expenses – The costs for programs and activities that directly advance your organization\'s purpose and mission.

Administrative Expenses and Fundraising Expenses make up your organization's overhead. To determine your organization's overhead, you will need to make the following calculation:

> (Administrative Expenses plus Fundraising Expenses) divided by (Administrative Expenses plus Fundraising Expenses plus Program Expenses) = Overhead
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> Example:
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> ($200,000 + $50,000) / ($200,000 + $50,000 + $1,000,000) = 20% overhead

Examples of Administrative Expenses* often include, but are not limited to, the following:
- Rent
- Utilities
- Supplies
- Executive, board and staff compensation (salaries & allowances)
- Pension & employee benefits
- Depreciation expense for equipment
- Professional Fees (Legal, Accounting, Audit, Investment Advisor)
- Information Technology (IT)
- Human Resources
- Finance Department
- Insurance
- Meetings of the Board or staff
- Printing & publication costs
- Postage and mailing
- Housekeeping

*Except for those expenses that are directly associated with program or fundraising activities.

Examples of Fundraising Expenses often include, but are not limited to, the following:
- Publicity for fundraising campaigns/events
- Soliciting donations, corporate/foundation grants/donations, and government charitable grants
- Participating in federated fundraising campaigns
- Preparing, printing and distributing fundraising mailers and other fundraising materials
- Salaries associated with fundraising

This Overhead Calculation Sheet was created as a guideline for organizations to determine their overhead percentage. It is not intended for purposes other than assisting nonprofits in completing the Albany Engineered Composites application for donation.