

["Name of Organization"]

Street/Mailing Address
City, State Zip-Code

Tel: (XXX) XXX-XXXX

Website: [abcorganization.org]

Contact Person(s): Name, Title
Name, Title

Email:
Email:

A. ORGANIZATIONAL PROFILE

["Name of Organization"] is a private, non-profit organization founded in [XXXX] under the laws of the state of [XXXXXX] to support [XXXXXX.....]

Please insert the organization's profile here. Include the core function, the purpose of existence, and types of programs offered/conducted by the organization.

B. TYPE OF RATE AND FISCAL PERIOD(S)

We are requesting to negotiate the following indirect cost rate(s):

- (a) Final Rate for FY ending: September 30, XXXX
- (b) Provisional Rate for FY ending: September 30, XXXX based on the ***(Please specify if the requested provisional rate is based final rate or based on budgeted information.)***
- (c) Predetermined Rate for FY ending September 30, XXXX
- (d) Other (Described the requested type of rate)

(Please delete the type of rates not requested-used)

C. DESCRIPTION OF THE BASE USED IN THE RATE COMPUTATION

(Please select the base type and delete the unused base descriptions)

The ["Name of Organization"] uses the following base for the indirect cost rate calculation:

-- Base (Direct Salaries and Wages, excluding fringe benefits)

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- Base (Total Direct Costs less capital expenditures, passthrough funds, and subawards/subcontracts in excess of the first \$25,000)
- Base (Other – Please describe)

(Please note: These are typical examples of the distribution bases used for calculating Indirect Cost Rates. Please select the one that provides the most equitable distribution. Only select the method used by your organization. If intended to switch the type based used in prior year negotiation, do not change the distribution base without prior approval from the cognizant federal agency.)

D. NEGOTIATION HISTORY

-- We have received an official written approval of our indirect cost rate from Indirect Cost Division, United States Department of Education.

-- This is our initial request for the approval of our indirect cost rate. None of the federal agencies have ever officially approved of our rate through a signed negotiation agreement.

-- We have received an official written approval of our indirect cost rate from U.S. Department of _____ (fill in the blank). (Other than Indirect Cost Division, U. S. Department of Education).

(Please delete the negotiation history not used)

MODEL COST POLICY STATEMENT

The following model Cost Policy Statement is intended to be used as guidance for nonprofit organizations that seek reimbursement for indirect costs under Federal awards. The model assumes that the [ABC Organization] uses the direct allocation basis of charging costs. That is, in addition to direct costs, [ABC Organization] has in place accounting procedures which enable it to direct charge some costs that would otherwise be considered indirect costs (see, for example, the description below as to how photocopy costs are charged).

COST POLICY STATEMENT **[ABC ORGANIZATION]**

- I. General Accounting Policies
 - A. Basis of Accounting – Accrual Basis
 - B. Fiscal Period – July 1 through June 30

- C. Allocation Basis – Direct Allocation Basis
- D. Indirect Cost Rate Allocation Base – Salaries and Wages including Applicable Fringe Benefits
- E. (If [ABC Organization] needed a fringe benefit rate, it would describe its fringe benefit allocation base at this point)
- F. [ABC Organization] maintains adequate internal controls to insure that no costs is charged both directly and indirectly to Federal contracts or grants.
- G. [ABC Organization] accumulates all indirect costs and revenues in accounts titled, “Indirect Cost-Expense” and “Indirect Cost-Revenue” respectively.

II. Description of Cost Allocation Methodology

A. Salaries and Wages

- 1. **Direct Costs** – The majority of [ABC's] employee's direct charge their salary costs since their work is specifically identifiable to specific grants, contracts or other activities of the organization such as lobbying, fund raising or providing services to members. The charges are supported by auditable time records which reflect the actual activities of employees.
- 2. **Indirect Costs** – The following staff charge 100% of their salary costs indirectly:

- Executive Director
- Chief Financial Officer
- Personnel Officer
- Secretary to the Executive Director
- Receptionist

- 3. **Mixed Charges** – The following employees may charge their salary costs to both direct and indirect activities:

- Project Officer
- Director of Operations
- Data Entry Clerk

The distinction between direct and indirect is primarily on functions. For example, when the positions shown are performing functions that are necessary and beneficial to all programs they are indirect. When functions are specific to one more programs they are direct because they do not benefit all.

Auditable time records which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges. The time records are certified by the Executive Director.

Release time costs (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. Consequently, separate claims for release time costs are not made. ABC's accounting system records release time as a direct or indirect cost in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is recorded as a cost in the period earned.

B. Fringe Benefits

[ABC] contributes to the following fringe benefits for its employees: unemployment insurance, workers' compensation, F.I.C.A., health insurance, and matching contributions to a defined benefit pension plan.

Since [ABC's] accounting systems tracks fringe benefit costs by individual employee and charges those costs directly or indirectly in same manner as salary and wage costs are recorded, ABC does not need to have a fringe benefit rate established.

C. Travel

Travel costs are charged either as a direct charge or an indirect charge depending upon the predominant purpose of the trip. Costs incurred for travel are supported by auditable travel vouchers and costs are limited to those allowable under the Federal Travel Regulations, unless expressly allowed by a contract or grant.

D. Board Expenses

Board expenses charged on an indirect basis are for travel to/from Board meetings (limited to expenses allowed under the Federal Travel Regulations) and an annual fee of \$250 paid to each Board member. Other Board expenses are absorbed by ABC and are not charged either directly or indirectly to Federal contracts or grants.

E. Supplies and Material

To the maximum extent possible, office supplies and materials are direct charged to the contract/grant which uses the supplies or materials. Supplies and materials used by staff who are engaged in indirect activities will be charged on an indirect basis.

F. Occupancy Expenses

Rent – ABC occupies space it leases from Lessor Corporation. The lease provides for equal monthly payments during the term of the lease. Monthly

lease costs are allocated, based on square footage, directly and indirectly as follows:

- (a) Direct Costs – The cost of space occupied by staff whose salaries are direct charged to costs directly.
- (b) Indirect Costs – The cost of space occupied by staff whose salaries are indirectly charged is charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis will be allocated on a mixed basis in the same ratio as their salaries are allocated.

The cost of space required for common rates (hallways, restrooms, and [ABC's] conference room) will be accounted for as an indirect cost.

[ABC] has developed a floor plan which identifies what areas are designated as direct and indirect charge space (based on square footage).

G. Utilities

ABC's lease includes the costs of all utilities except electricity. The cost of electricity is charged directly and indirectly in the same ratio as its space costs are charged.

H. Communications

A log is maintained of all fax transmissions. The cost of fax services is charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Long distance telephone calls are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Local telephone service costs are prorated to direct and indirect charged based upon the number of telephone instruments assigned to ABC. Each telephone instrument is identified to either an indirect or direct activity. For example, ABC has 50 telephone instruments assigned to it. Nine of the 50 instruments are assigned to the Employment and Training program. Therefore, 9/50ths of the monthly local service charges are direct charged to the E&T grant. Five of the instruments are assigned to indirect staff; therefore, 5/50's of the monthly local service charges are charged indirectly. No telephone instruments are charged on a mixed basis since the costs incurred on that basis are immaterial in amount.

ABC uses a meter system for postage charges. The postage meter has been programmed to identify the specific program or activity to charge costs against. Express mail costs are also specifically identified to the program or activity incurring the costs.

I. Photocopying and Printing

ABC maintains a photocopy activity log. From this log, ABC is able to prorate its photocopy expenses to each program based on the specific volume of copies made for each program. Administrative personnel will record copies made to the benefiting program to the maximum extent practical. In situations where the photocopies being made by administrative personnel cannot be identified to a specific program and the matter being copied relates to the activities of ABC in general, the cost of such copies will be charged to the "Indirect Cost-Expense" account.

Printing expenses are charged to the benefiting activity.

J. Outside Services

ABC incurs outside service costs for its annual audit, legal fees, and for staff development specialists.

The cost of the annual audit is charged indirectly.

In general, legal fees are charged directly to the benefiting program or activity.

Legal fees that are not identifiable to specific direct programs are charged indirectly.

K. Capital Items

Capital expenditures are charged directly to programs only in cases where a contract or grant specifically authorizes such charges. No capital item is charged indirectly. The cost of capital items purchased with non-Federal funds are recovered through depreciation charges.

L. Depreciation Charges

The cost of capital items purchased with non-Federal funds which are used in a manner which benefits Federal programs is recovered through depreciation charges. ABC recovered the cost of capital items using straight line depreciation methods in accordance with generally accepted accounting principles. Depreciation charges are charged indirectly.

M. Service to Members

The cost of activities performed primarily as a service to member, clients, or the general public are classified as direct costs and bear their fair share of indirect costs. These activities include: maintenance of membership rolls, subscriptions, publications, and related functions, providing services and information to members, legislative or administrative bodies, or the public; promotion, lobbying and other forms of public relations; meetings and conferences except those held to conduct the general administration of ABC Nonprofit Organization; maintenance, protection, and investment of special

funds not used in operation of ABC; and administration of group benefits on behalf of members or clients including life and hospital insurance, annuity or retirement plans, financial aid, etc...

N. Unallowable Costs

[ABC] recognizes that the following costs are unallowable charges to Federal awards and has internal controls in place to insure that such costs are not charged to Federal awards:

Fund Raising,
Entertainment/Alcoholic Beverages,
Lobbying,
Capital Expenditures unless expressly authorized by a Federal award,
Advertising costs (other than for recruitment of staff or for the disposal of property)
Bad Debts,
Fines and Penalties &
Contributions.

The cost of unallowable activities that benefit from the indirect cost pool will be included in the distribution base used to calculate the indirect cost rate.

(Signature)

(Date)

(Title)

[ABC Organization]
[1111 Elm Street]
[Mount Pleasant, PA 15666]