

## **Budget Preparation Basics**

### **Compliance with Uniform Grant Rules (2 CFR 200)**

Agencies awarded funding under this RFP must certify adherence to applicable 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements, which are published in Title 2, Part 200 of the Code of Federal Regulations, and are incorporated herein by reference. 2 CFR Part 200 is the single, authoritative, government-wide comprehensive source of Federal financial assistance program information produced by the executive branch of the Federal government.

<https://www.govinfo.gov/app/details/CFR-2017-title2-vol1/CFR-2017-title2-vol1-part200>

### **Budget**

A schedule of anticipated grant expenditures and resources that is approved by the Grantor for carrying out the purposes of the Award. The budget includes the non-Federal (grantee share) and the Federal/State share (AgeGuide) of grant expenses.

### **Budget Justification**

A budget justification is a narrative explanation of the budget. It explains how costs were estimated and provides a justification that proposed costs are reasonable, necessary, and allowable. A budget justification is a required part of the grant submission.

### **Allowability of Costs; Cost Allocation Methods**

The allowability of costs and cost allocation methods should be determined in accordance with 2 CFR 200 Subpart E and Appendices III, IV, and V.

### **Cost Allocation Plan**

The purpose of the cost allocation plan is to summarize, in writing, the methods and procedures used to allocate costs to various programs, grants, contracts and agreements. The cost allocation plan is the documentation identifying, accumulating and distributing allowable costs under grants, together with the methods used. Applicants must submit a cost allocation plan that supports the assignment of indirect costs consistent with 2 CFR 200.

### **Direct Costs: 200.413**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

### **Direct Administrative Costs 200.413 (c)**

Administrative costs may be treated as direct costs when they meet certain conditions to demonstrate that they are directly allocable to a Federal award. Direct charging of these costs may be appropriate only if all of the following conditions are met:

1. Administrative or clerical services are integral to a project or activity;

2. Individuals involved can be specifically identified with the project or activity;
3. Such costs are explicitly included in the budget or have the prior written approval of the awarding agency; and
4. The costs are not also recovered as indirect costs.

**Indirect Costs 200.414**

Indirect costs are costs that are not readily assignable to a particular project but are necessary to the operation of the organization and the performance of the project (like the cost of operating and maintaining facilities, depreciation, and administrative salaries.)

**Indirect Cost: De Minimis Rate 200.414**

If appropriate, an applicant can elect to charge the de minimis rate of 10% modified total direct cost – see 2 CFR 200.414 (c)(4)(f) & 200.68. Applicant may only use the 10% de minimis rate if the applicant does not have an Approved Indirect Cost Rate Agreement.

The applicant must be eligible -- see 2 CFR 200.414 (f) -- and must submit documentation on the calculation of MTDC within your Cost Allocation Plan. The applicant may not use the de minimis rate if it is a local government.

**Matching Share**

Budgets must meet the following match requirements:

<u>Service</u>	<u>Required Match</u>
IIIB Services	15%
IIIC1 and IIIC2 Services	15%
IIID Services	0%
IIIE Service	10%

AgeGuide pays not more than eighty-five percent (85%) of the costs of activities for IIIB and IIIC service; and 90% of the costs of activities of IIIE services.

Match may consist of non-Federal cash, allowable in-kind contributions, or a combination of both. All non-Federal resources (whether cash or in-kind) must be clearly documented and established as being “reasonable, necessary and allowable.” Recipients are responsible for determining and verifying such allowability.

Certain Federal funds are allowable as match against other Federal funds:

1. HUD Community Development Block Grants funds.
2. Legal Services Corporation funds.
3. Social Services Block Grant funds.

Non-Federal match used to support other programs is not allowable as match for funds awarded by AgeGuide.

### **Allowable Costs**

Allowable costs must meet the following general criteria:

1. Be necessary and reasonable for the performance of the award and be allocable thereto under those principles;
2. Conform to any limitation or exclusions set forth in these principles or in the award as to the amounts of cost items
3. Be consistent with policies and procedures that apply uniformly to both Federal finance and other activities of the organization
4. Be accorded consistent treatment
5. Be determined in accordance with generally accepted accounting principles
6. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or prior period
7. Be adequately documented.

### **In-Kind Match**

The value of property or services contributed by a funded agency to benefit a grant-supported service. In-kind value is determined by establishing the monetary market value of the property or service at the time of the donation. Contributions are only considered as in-kind match if received from a non-federal third party without charge to the grantee and must pertain to approved budget cost categories as specified by federal guidelines. Contributions of time by members of the Board of Directors is not accepted as an in-kind contribution in that such costs are not allowable costs for federal reimbursement. Funds, staff, or equipment purchased with Federal dollars for other services or programs may not be considered an in-kind match for Older Americans Act services. Additionally, grantees are advised to examine all funds received from the State of Illinois prior to making a match determination as many of the funds awarded are federal dollars and therefore, not eligible for match consideration.

### **Local Cash**

Donations or cash payments made by non-federal sources, such as organizations, localities, townships, United Ways, etc., to provide direct support for partial or all costs of services included in the grant application. Cash payments made from client contributions as a result of their receiving services is not considered local cash, but is considered project income. (See Project Income, below.)

### **Earned Federal Share**

The Earned Federal Share is the grant amount "earned" only when the organization obtains and reports both local cash and in-kind match. The AgeGuide share is based on net expenses (expenses minus project income) and the extent the grantee has met the budgeted local match. For the purpose of determining the earned federal share, in-kind is allowable only up to the budgeted amount. However, local cash may exceed the budgeted amount and may also replace in-kind when in-kind is below the budgeted amount. When a grantee reports expenses, local cash, and/or in-kind less than the amounts budgeted, the federal award is adjusted downward. This adjustment may take place during the grant year or at fiscal year-end (close-out report). If recognized during the fiscal year, monthly reimbursement amounts will be reduced. If recognized at the end of the fiscal year, a refund will be requested from the grantee.

Two calculations "limit" the amount of Federal share due to a grantee. For each grant, the total amount of Federal cash payments to which a grantee is entitled under the grant is the lowest applicable limit, less any penalties or credits that may apply.

1. Authorized Federal share of the approved budget is a limit on payments to the grantee.
2. Allowable Costs. The allowable costs incurred by the grantee (net of certain exclusions listed below) are a limit on payments to the grantee.

**Allowable Cost Exclusions:**

1. Value of Third-Party In-Kind Contributions are not costs to the recipient. Therefore, their value must be excluded from the allowable costs limit.
2. Allowable costs paid by another Federal grant or sub-grant or by a non-Federal grant or sub-grant - awarded to the same recipient must be excluded from the allowable costs limit. This exclusion does not prevent proration of costs that are allowable under two (2) or more assistance awards to the recipient.
3. A cost that is counted to meet a cost-sharing or matching requirement of another Federal grant must be excluded from the allowable costs limit. This exclusion does not apply where Federal law authorizes the use of the Federal grant funds to meet the cost sharing or matching requirement.

**Maintenance of Effort (Older Americans Act Section 309 and Section 374)**

Grantees may not replace funds from non-Federal sources with funds from Title III.

**Program Income**

Includes, but is not limited to, income received during the grant period from client donations or client contribution for services, proceeds from the sale of tangible personal or real property, interest, usage or rental fees, and patent or copyright royalties. In other cases not specifically defined here, AgeGuide will review the funds to determine if they can show to have been generated from some particular activity conducted by the grantee and was generated by an activity supported in whole or in part by Older Americans Act funds, other Federal funds administered by AgeGuide or by matching funds. Excess project income can be used to increase the number of service units provided by the program, to enhance the service, or to facilitate access to the service.

**Reimbursement**

AgeGuide reimburses funded partners for expenses incurred during the provision of Older Americans Act services. AgeGuide reserves the right to delay reimbursements to grantee agencies during the grant/contract period in the event payment to AgeGuide is delayed by its funding agencies