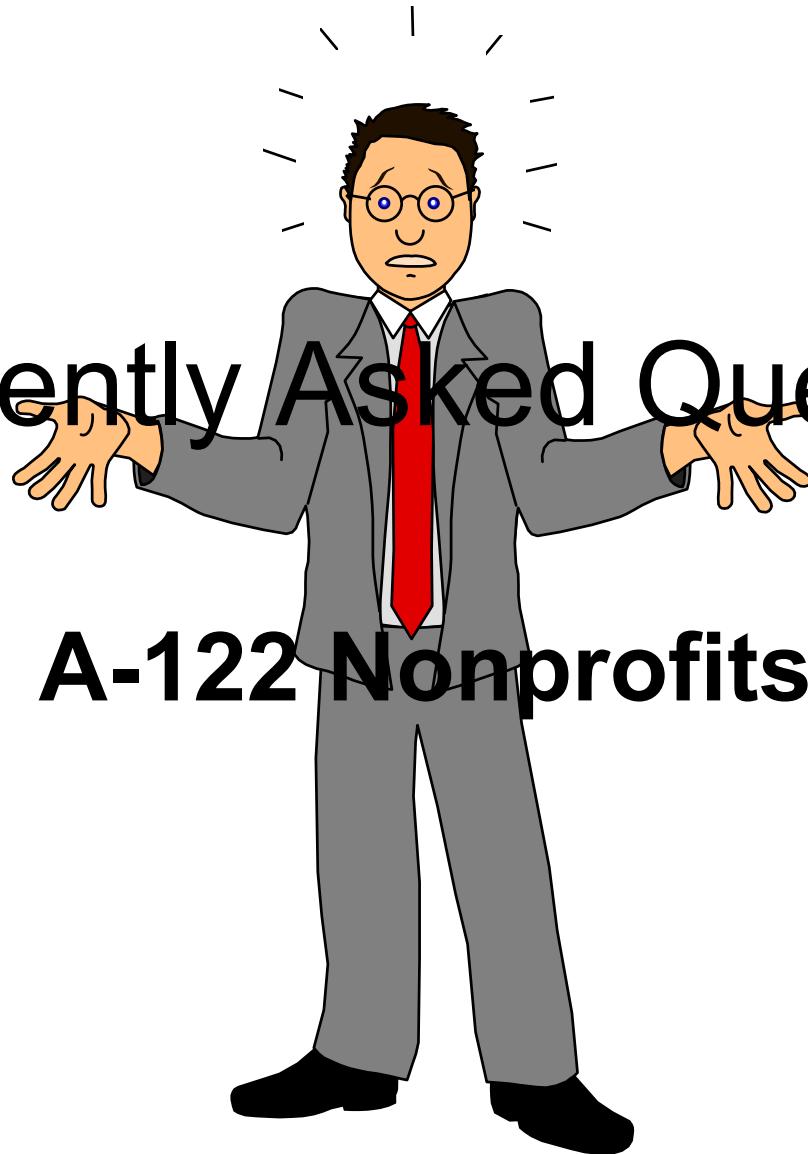


# ATTACHMENT 7

Frequently Asked Questions

A-122 Nonprofits



- **What if funds under our Federal grants are not available to cover part or all of our final indirect cost rate?**
- **Non-Federal or unrestricted funds must be used. Funds may not be shifted between Federal grants to overcome funding deficiencies.**

- **If we have a Federally approved indirect rate, can our cognizant agency force states or units of local government to accept it?**
- **The cognizant Federal agency will be available to explain the rate and its applicability but cannot require recognition of the rate by states or units of local government.**

- **Since Federal funds represent only a small percentage of our total funding, can our indirect cost rate proposal be based only on our Federal funding?**
- **No. The indirect cost rate proposal must show all funding, direct and indirect, Federal and non-Federal, and be reconciled to appropriate financial data of the organization.**

- **How can we determine which Federal agency is cognizant for our organization?**
- **The Federal agency which provides a preponderance of direct Federal funding for your organization is normally your cognizant Federal agency.**

- **Can cost of audits under OMB Circular A-133 be recovered?**
- **A-133 allows audit costs to be recovered as either direct or indirect costs in accordance with applicable cost principles. However, there is no special appropriation for audit costs. To recover audit costs, the organization must include them in the specific grant/contract documents (if direct) or in the indirect cost proposal (if indirect).**

- **If our policy is to capitalize equipment under the \$5,000 threshold specified in A-122, do we need Federal approval prior to directly charging the grant with the cost of equipment?**
- **No. The grantee is allowed to directly charge (subject to budget limitations) the Federal grant with the cost of equipment under the \$5,000 threshold without obtaining prior Federal approval.**

- **A grantee has contracted to update its computer network with its affiliates for a total cost of \$50,000. Since each component; i.e., monitor, printer, personal computer, software, modem, etc., costs less than the \$5,000 per unit threshold specified in A-122, can this "equipment" be charged to the indirect cost pool?**
- **No. The components of the computer network make it useable for the purpose for which it was acquired and therefore establishes the "system" as a capital expenditure. Accordingly, this equipment can be appropriately charged to Federal grants either as a direct or indirect cost, on the basis of depreciation or a use allowance as specified in A-122.**



- **Can our Executive Director, who is normally charged to the indirect cost pool be involved in fund raising efforts?**
- **Yes. However, the Executive Director would be required to maintain detailed time distribution records identifying 100% of activities. Any fund raising portions of time would be excluded from the indirect cost pool and included in the base for allocation.**

- **A grantee purchased a building in September, 1995 and refinanced its mortgage in September, 1998. Can the grantee now charge Federal programs with the interest incurred on this mortgage?**
- **No. Interest on debt incurred to finance or refinance assets acquired before or reacquired after June 1, 1998 is not allowable.**

- **Can we include in the indirect cost pool, the cost of a life insurance policy on our Executive Director, naming our organization as the beneficiary?**
- **No. Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation.**

- **Can we pay bonuses under our suggestion awards program?**
- **Yes. This type of incentive compensation is allowable to the extent that the overall compensation is determined to be reasonable and in accord with an established agreement or established past practice of the organization.**

Q uestions?

