Community Partnerships Program
Eligible Costing Rules and Financial Management Guidelines

Top tips when preparing your budget

- **Clear link between budget and project activities:** Please ensure that it is very clear for the Canadian Red Cross Society (Red Cross) to understand what budget components link to the proposed activities within your application. Use the Notes section in the budget template to add additional details.

- **Record retention:** For each Budget Category a non-exhaustive list of examples of records that should be retained are included. These records do not need to be sent with financial reports, but they do need to be available if the Red Cross or an authorized representative audits the Project.

- **Variances:** Excluding the Administrative Costs**,** variances of under 10% between budget categories (i.e. I. Personnel to VII. Inventory) are permissible without prior approval of the Red Cross. Anticipated variances over 10% between budget categories require the prior written approval of the Red Cross.

- **Administrative Costs:** The Administrative Cost Category is included as an easy way for organizations to include typical "indirect" costs (see table on page 16) in their project applications. Generally**,** an Administrative Cost Rate higher than 9% is not permissible. Please note that Administrative Costs are not applicable to certain budget categories including, but not limited to: Arms-Length Sub-Contractors, Project Equipment & Inventory and any costs that contain bulk purchases and/or flow-through admin. The Red Cross may further adjust the administrative percentage as part of our review.

- **Double recuperation of funds:** Organizations are not entitled to double recuperate. In other words, if the Organization is receiving other/ third party funding for items, they should not be included in the project budget. Moreover, please only account of a cost once within the Project Budget. For example, if a facilitator is required to deliver a training session, don't account for them in the Training and Subcontractor budget categories.

- **Reporting**: If your application is approved, you will only be required to report on activities and expenditures undertaken with Red Cross funds. For example, if you are undertaking a larger program or initiative and you receive funds from another organization for one portion of that program, you only need to report on the activities and expenditures undertaken with Red Cross funds unless otherwise requested.

- **Monitoring & Evaluation:** You may include monitoring and evaluation costs as direct costs within the project budget provided they are real and proportionate.

- **Procurement:** Organizations must favour a competitive process for the procurement of goods, assets and services for the project that enhances access, transparency, competition and fairness and results in best value. Organizations are expected to retain all records related to the procurement process in the event that the Red Cross performs an audit.

- **Funding Conditional upon Eligible Costs:** The amount set out in the budget and in the agreement for the maximum contribution is not a guaranteed grant amount that the Organization will receive. Reimbursement will be up to the lesser of the budgeted amount and the maximum of eligible, real costs, actually incurred for the implementation of the Project.

- **Auditing:** The Red Cross is a fiduciary of public funds and as such it will undertake monitoring and audits of organizations that receive Red Cross funds.

- When in doubt, ask! These rules are the general baseline but of course there are exceptions. Please send your questions to BCCommunityPartners@redcross.ca.

What are eligible costs?

In order to be eligible for approval, the expenses must have the following characteristics.

Costs must be:
    a. Direct costs;
    b. Directly attributable to the project and its outcomes;
    c. Reasonable; and,
    d. Actually and Properly Incurred in accordance with the Red Cross Agreement & Eligible Costing Rules.

<u>Additional Information</u>

1. What does "Reasonable" mean?
   For a cost to be 'reasonable' it must not exceed in nature and amount what would be incurred by an ordinary prudent person carrying out a competitive business. In other words, imagine it is your own money and spend it as prudently. Reasonableness will be informed by fair market value and is evidenced by due diligence such as a fair and open procurement process.

2. What does "Actually and Properly Incurred" mean?
   In order for a cost to be eligible, it must reflect an actual (paid) cost. For example, if an organization budgeted for 10 computers but only purchased 5 for the project, only 5 are eligible costs as they were actually incurred when implementing the project. Paid costs are evidenced by original source documents such as invoices and cheques/corresponding payments.

The following identified what are Eligible Costs per Budget Category, to be Eligible the costs must comply with the parameters set out herein:

    I.   Personnel, Payroll and other Compensation
    II.   Arms-Length Sub-Contractors
    III.   Direct Aid to Beneficiaries
    IV.   Logistics
    V.   Training & Events
    VI.   Travel Expenses
    VII. Project Equipment & Inventory
   VIII. Administrative Costs

> These headings match with the Budget Categories in the Project Budget Template
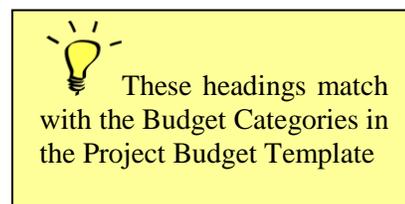
I. Personnel, Payroll and other Compensation

1. **Salary.** Actual and justifiable salaries for personnel required by the organization to carry out the project. If only a percentage of an individual's time is required, this must be reflected in the budget. The total value in the budget includes the following:

    i. **Direct Salaries**: actual and justifiable sums paid by the Organization to Employees in accordance with the Organization's pay scales as regular salary excluding overtime pay and bonuses. Rates shall be in accordance with local laws and practices including local market rate of remuneration.

    ii. **Fringe Benefits**: in accordance with the Organization's policies, as follows:
        a) time-off benefits: allowable number of days to be paid by the Organization for the following payable absences: statutory holidays, annual vacation and sick leave; and
        b) paid benefits: actual sums paid by the Organization for paid benefits: the Organization's contribution to employment insurance and workers' compensation plans (where applicable), health and medical insurance, group life insurance, pension plans, or other mandatory government benefits.

2. **Overtime.** Overtime is permissible in accordance with the Organization's human resources procedures provided it is required for implementation of the Project and is evidenced by documentation.

3. **Honoraria.** Where it is considered a cultural norm, honoraria for Elders should be included in this category. The principle of reasonableness and proportionality applies.

Examples of Records Required To Be Retained by Organization Related to Personnel:

- HR records, time management records such as payroll and/or timesheets.

Filling in Personnel Costing into your Project Budget

1. The daily rate per Employee can be calculated as follows:
    [(Annual direct salary plus Annual paid benefits)] divided by [(260 days minus Annual allowable time off benefits)]

2. Overtime (as permitted by the Organization's HR policies and procedures) can either be costed into the budget or accounted for as an Eligible Cost within the financial reports.

3. Make sure the units are identified as well as partially funded positions (i.e. 2 days per week substantiated by timesheets.

Examples of Ineligible Personnel Costs:

- Bonuses
- Additional remuneration
- Redundancy
- Accommodation
- Severance costs
- Salary increases or increased costs for personnel during the term

Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.

II. Arms-Length Sub-Contractors
(consultants, contractors, professional services)

1. **Eligible Costing Rate:** The actual and justifiable cost of sub-contractors fees under a sub-contract.

   a. Individual rates or amounts negotiated shall not exceed the fair market value that applies to the specific type of service in the regular place of work of the subcontractor or for similar work being performed under this Agreement and shall exclude any increased rate for overtime. This must be evidenced by an assessment of fair market value (such as receiving multiple quotes or having a fair and open tender).
   b. Must be an arms-length entity[1].
   c. This budget category *should not exceed* **25%** of the total Project Budget.

Filling in Sub-Contractor Costing into your Project Budget

1. Anticipated cost/ rate per subcontractor/ contractor
2. Add a separate line per entity (for example one for a consultant and another for a contractor)

Examples of Records Required To Be Retained by Organization Related to Sub-Contractors:

- Procurement records for tender/RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.

- Contract with sub-contractor, purchase orders (PO), invoices, receipts

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[1] "Arms Length" means there is no connection between the Organization and its personnel and the vendor/ sub-contractor. Such a connection could result in a conflict of interest or a personal interest that would affect the perception of the procurement and tendering process as being one that is fair, open, competitive and resulting in best value. For greater clarity, an individual is "Not Arms Length" when that individual is related to the Vendor. In the case of a Vendor that is a corporation or company, personnel would be "related" to that company or corporation if a) the personnel controls the corporation; b) the personnel is a member of related group that controls the corporation; or c) the personnel is a person who is related to a person who controls the corporation or is a member of a related group that controls the corporation.

III. Direct Aid to Beneficiaries
(supplies & materials to be distributed to beneficiaries

This Budget Category is used to itemize direct delivery aid. For example – if your initiative is based on an educational workshop where you distribute information packages, you would include the costs of designing and printing the packages here as the end-user will be the beneficiary.

Eligible Costing Rate: Actual and reasonable costs arising from the purchase, rental, maintenance of goods, assets and supplies (excluding office supplies) that are to be directly provided to beneficiaries, provided that such costs do not exceed the fair market value that applies to the specific type of goods, assets and supplies.

Filling in Direct Aid to Beneficiaries Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate for items
2. Make sure you note the number of units (if applicable)
3. Add a separate line for the different types of supplies or materials

Examples of Records Required To Be Retained by Organization Related to Direct Aid:

- Procurement records for tender/ RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.

- Contract with sub-contractor, purchase orders (PO), invoices, receipts

Examples of Ineligible Costs for Direct Aid
- Community events where a profit is being made by the organization
- Fundraising events
- Religious supplies (generally impermissible but there may be exceptions, contact us!)
- Commissioned or purchased artwork not for public use
- Gift cards, contests, prizes, awards, trophies and plaques unless **pre-approved** by the Red Cross
- Alcohol
- Promotional items

Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.

IV. Logistics
(cost of transporting, storing and distributing supplies and materials to beneficiaries)

Eligible Costing Rate: Actual and reasonable costs arising from the transportation, storing and distributing of:

1. goods, assets and supplies provided that such costs do not exceed the fair market value that applies to the transportation, storage and distribution of the specific type of goods, assets and supplies.

2. As with other costs, evidence of fair market value and corresponding due diligence should be kept on file.

3. This budget category *should not exceed* **25%** of the total Project Budget.

Filling in Logistics Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate for the logistics
2. Add a separate line for the different aspects – transportation as opposed to storing as opposed to distribution

If you are using your own staff to distribute, you can keep the staffing cost under the Personnel Budget Line so there is no duplication of costing.

Helpful Tips

Examples of Records Required To Be Retained by Organization Related to Logistics:

- Procurement records for tender/ RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.

- Contract with sub-contractor, purchase orders (PO), invoices, receipts

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V. Training & Events

This Budget category is used to set out all the components required to run a training session and/ or event. This includes, but is not limited to, costing such as facilitation services/ fees, transportation for the facilitator, renting room, coffee break costs, items for distribution as part of the event, training, seminar/ training materials, etc.

Training refers to training provided to personnel of the organization. Events refer to events (could also be training) where the participants are beneficiaries from the impacted community.

The intent of this Budget category is to capture the total costs of a training session or event so the Red Cross requests that you capture the various costing here. For example, you could put the facilitation services of a consultant in the subcontractor line, and the coffee break food in Direct Aid to Beneficiaries category, but as this is part of the overall event, we would ask that you itemize it in this Budget category. Another example would be: if you hosted a personal preparedness training event where each participant would get a preparedness kit at the end, the cost of the kits would also be included in this Budget Category.

Note: Justification for costs in this section should be clearly articulated in the application including how such activities support the achievement of the overall objective and recovery efforts of those affected by the disaster.

Eligible Costing Rate: Actual and reasonable costs arising from the elements required provided they do not exceed the fair market value for each element.

Filling in Training and Event Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate
2. Add a separate line for the different aspects and identify clearly such as facilitator service fee, facilitator travel, meeting room rental

Ensure that costing is only reflected in one Budget Category to avoid duplication of costs. For example, if your organization owns the space you are conducting a training session or course in, this cost would fall under the Indirect Cost Rate and should not be captured here. If you are hiring a Facilitator for a training session, only include the cost in this Budget Category rather than in this Budget Category and in the Subcontractor Category.

Examples of Records Required To Be Retained by Organization Related to Training and Events:

- Rental agreement for space/ venue.
- Procurement records for tender/RFP/RFQ due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices (with itemized expenses), receipts.
- Travel records if travel is undertaken (see Travel Expenses Records for more information).

Examples of Ineligible Costs for Training and Events

- Fundraising events
- Promotional items (pens, hats, t-shirts)
- Events where a profit is being made by the organization

Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.

VI. Travel Expenses

Use this budget category to capture expenses for travel directly related to the project, required to carry out the Project Purpose. Using the Notes section on the budget template, explain how the travel is necessary for achieving the Project Purpose and the relief, response and recovery of those affected by the British Columbia Wildfires.

1. **Eligible Costing Rate.** Travel costs actually and reasonably incurred by the Organization in accordance with the provisions of the Travel Directive and the Special Travel Authorities of the Treasury Board of Canada Secretariat in force at the time of the travel. The Special Travel Authorities take precedence over the Travel Directive.

2. **Meals, incidentals, baggage fees and private vehicle usage (mileage).** The cost of meals, incidentals and private vehicle usage, in accordance with the meal, incidental, and private vehicle allowances specified in Appendices B, C and D of the Travel Directive, which can be found at the following Internet address: http://www.njc-cnm.gc.ca/directive/travel-voyage/index-eng.php.

3. **Accommodation.** The actual and reasonable cost of a single room in commercial accommodation or, when private non-commercial accommodation is used, the rate for such accommodation, in accordance with the provisions of clause 7.8 of the Special Travel Authorities and Appendix D of the Travel Directive;

4. **Transportation.** This can include the cost of airfare, taxis, car rentals and mileage on already owned vehicles.

   Airfare: The cost of commercial transportation based on the lowest available fares, using the most direct routing.
   a. The Organization shall endeavour to obtain the lowest possible airfare, such as by booking the reservation as early as possible. The standard for air travel is economy class, including APEX, charters and other reduced or discounted fares.
   b. Red Cross will reimburse at the lowest airfare available at the time of reservation, but never more than the maximum of a full-fare economy airfare.
   c. The Organization must be able to demonstrate with proper supporting documentation deemed satisfactory to Red Cross, the lowest fare available at the time of reservation.

Helpful Tips

Filling in Travel Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate for items
2. Add separate lines either per type of cost (transportation, accommodation versus per diems) and aggregate for all individuals (identifying how many individuals are captured in these aggregate costs). Or add a line for each individual expressing the total across each of these categories.

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Examples of Records Required To Be Retained by Organization Related to Travel:

- Travel expenses claim forms (for per diem and reimbursement), original receipts for expenditures, or justification/due diligence for fair market value.

- Records justifying flight changes and/ or cancellations.

Examples of Ineligible Costs for Travel Expenses

- Seat upgrades and seat selection
- Flight cancellation costs
- First class, or business class travel
- Alcohol
- Per diems or claims in excess of the treasury board standards
- International Travel, including the USA (unless expressly pre-approved by Red Cross in advance)

Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.

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VII. Project Equipment & Inventory
(capital assets)

This Budget Category is used to itemize actual, real and fair market value for assets, inventory and equipment purchased for the project required for the Organization to meet the project purpose. This can include assets such equipment and other tangible property that are required for the Project.

In most applications, *this should not exceed 15%* of the total Project Budget. This depends on the Project Activities and the Project Outcomes.

In order to be an eligible cost, the Project Equipment and Inventory must be **newly** acquired during the Project Term, specifically for the Project. All **existing** equipment would represent an indirect cost, to be covered by the Administrative Cost category. Project equipment and inventory should be purchased using the applicant organization's procurement policies provided such practices comply with this document and the Agreement requiring evidence of fair market value. Organizations are required to retain a listing of Inventory purchased pursuant to this category which must be available on audit.

Note: Project Equipment purchased to specifically support project activities will remain property of the Red Cross until the end of the project, at which time the Red Cross may choose to gift the inventory to the Organization, or may direct the Organization to dispose of them in another manner. Applicants should not assume they will be able to keep all inventory purchased for the project.

Filling in Project Equipment and Inventory Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate for items
2. Make sure you note the number of units (if applicable)
3. Add a separate line for each type of inventory

Examples of Records Required To Be Retained by Organization Related to Project Equipment and Inventory:

- Procurement records for tender/ RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices, receipts.
- Inventory listing and identification of current location.
- Handover certificates if applicable at the end of the Project term.

Examples of Ineligible Costs for Inventory

- Inventory for administrative purposes like desks and work stations, that will be used only in part for the project.

Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.

Additional Ineligible Cost Elements

In addition to costs that do not fit within the above noted Budget Categories and identified Eligible Costs, the following costs are considered as ineligible costs not eligible for reimbursement by the Red Cross:

- Entertainment expenses;
- Costs incurred before the effective date of the Agreement;
- Gifts, prizes;
- Provision for losses or potential future liabilities;
- Exchange losses;
- Travel insurance (health, cancellation, baggage, etc.);
- Membership and professional development fees; and
- Interest expenses.

Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.

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VIII. Administrative Costs

Some organizations would call the Administrative Costs line 'overhead', 'indirect costs' or 'management costs'. The Red Cross uses the term Administrative Costs in recognition that Organizations incur indirect costs in the implementation of projects.

The Administrative Costs budget line will be added by the Red Cross upon our review. This line is intended to permit Program Applicants to cost recover for ongoing operational costs, overhead and typical indirect costs incurred by the applicant organization. These include:

- Administrative or other expenses which are not directly allocable to a particular activity or project.
- Expenses related to general operations of an Organization that are shared among projects and/or functions.
- Basic examples include executive oversight, existing facilities costs, accounting, organization management, legal expenses, utilities, and technology support.
- Contingencies are not permitted as a separate line item, and should be accounted for in the 9% administrative cost.
- Personnel costs/in-kind should be included in admin costs (management fees, oversight).

Note generally, an Administrative Cost Rate higher than 9% is not permissible. Administrative Costs are not applicable to certain budget categories including, but not limited to: Arms-Length Sub-Contractors, Project Equipment & Inventory and any costs that contain bulk purchases and/or flow-through admin. The Red Cross may further adjust the administrative percentage as part of our review.

Guidelines for Administrative Costs
for the purposes of drafting the budget

✔ **DIRECT COSTS =**	✘ **INDIRECT COSTS =**

✔ DIRECT COSTS =

to be included as part of the Project Budget

Eligible for administrative costs
and to be identified in the Budget

- Salaries of employees working directly on the Project (for the term of the Project)
- Can include directly attributable administrative support, legal or accounting functions, with distinct and measured effort on the project as opposed to General Administrative Support in the indirect cost column
- Required travel for employees
- Consultants
- Travel required for the project including gas/ mileage travel
- Inventory and Equipment
- Sub-contracts

Costs which are traceable and distinct from normal operating costs.

The following must follow the above principles of directly attributable and direct costs but also must be *NEWLY ACQUIRED SPECIFICALLY FOR THE PROJECT:*

- Equipment purchases *(Note that all existing equipment would represent indirect costs)* rental of new facilities for the lifecycle of the Project
- newly acquired (within term of the Project) Information Technology equipment and support for the project

- **Note:** Just because something is eligible to be a Direct Cost doesn't mean it is an Eligible Cost. Please review the Eligible Costing rules.

✘ INDIRECT COSTS =
Administrative Cost Rate

Not to form part of budget,
for Administrative Cost Rate

- Existing facilities costs (e.g. rent, maintenance, etc.)
- Advertising and promotion (non-project specific)
- Utilities for existing facilities
- Existing Information technology equipment and support (e.g. centralized IT systems, networks, etc.)
- Board activities
- Bank charges
- Membership and subscriptions
- Existing shared equipment
- Existing equipment maintenance
- Depreciation on equipment
- Insurance
- Communications expenses (e.g. phones, etc.)
- Administrative office supplies
- General administrative support: such as Executive management (CEO, COO, CFO, etc.), General ledger and funds accounting, General financial management staff, Internal audit function, Institutional legal support, Research management personnel, Information technology support staff, Facilities support personnel, Human resources, Shared procurement resources, General logistics support, Material management.

- **Other shared resources not directly attributable to the project**

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