

# GRANTING PROGRAM FOR NON-PROFITS

## ELIGIBLE COSTING RULES AND FINANCIAL MANAGEMENT GUIDELINES



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These Rules and Guidelines are for the Granting Program for Non Profits.

Click here for the [Preventing Disease Transmission Training & Equipment Program.](#)

Canada



Canadian  
Red Cross

Croix-Rouge  
canadienne

# OVERVIEW

These guidelines set out what costs are eligible for reimbursement from the Canadian Red Cross and what records should be retained by the organization to support expenditures. These records would need to be available in the case of an audit.

Organizations are also required to report on their use of funds in accordance with the terms and conditions applicable to their grant and payment will only be based on costs incurred.

## IN ORDER TO BE ELIGIBLE FOR REIMBURSEMENT, EXPENSES MUST HAVE THE FOLLOWING CHARACTERISTICS:

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Costs must be:

**a) Directly attributable to the project;**

As opposed to an 'indirect cost', see the Administrative Costs section for more detail.

**b) In furtherance of the project activities and outcomes;**

**c) Reasonable;**

Whether or not a cost is 'reasonable' is assessed based on the fair market value for an equivalent service, good and/or payment amount. The way to ensure that a cost is reasonable is to undertake a fair and open procurement process, obtaining multiple quotes and/or doing research and documenting equivalent costs.

**d) Actually, and properly incurred; and**

For a cost to be eligible, it must reflect an actual, paid cost/expense. 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.

**e) In line with the applicable agreement terms and conditions and these Eligible Costing Rules.**

**COSTS ARE BROKEN DOWN INTO THREE MAIN CATEGORIES IN THIS DOCUMENT AND WILL BE REFLECTED IN YOUR PROJECT BUDGET UNDER THESE THREE MAIN HEADINGS:**

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- 1. Administrative Costs;
- 2. Project Equipment and Inventory; and
- 3. Direct Costs as set out in greater detail in this document.

Project costs should be reflected in a segregated account (transaction listing or general ledger) for the project, showing that the costs for the project remain distinct from the organization’s other operational costs.

**INELIGIBLE COST ELEMENTS**

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In addition to costs that do not fit within the parameters set out in this document, and identified within each budget category as an ineligible cost, the following costs are considered as ineligible costs not eligible for reimbursement by the Red Cross:

- Entertainment expenses;
- Costs incurred before the eligible costing date;
- Gifts and prizes;
- Provision for losses or potential future liabilities;
- Exchange losses;
- Travel insurance (health, cancellation, baggage, etc.); and
- Interest expenses.

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

**Note:** The Canadian Red Cross undertakes compliance reviews and risk-based audits of a certain percentage of its grants to ensure compliance to these rules and guidelines.

# ADMINISTRATIVE COSTS

This cost category represents the indirect, and untraceable costs incurred by the organization to undertake the project and its activities to achieve the intended outcomes. Some organizations may call this an 'overhead', 'management costs' or an 'indirect costing rate'.

## ELIGIBLE COSTING RATE

The maximum eligible costing rate for this cost category is up to 9% against real and actual costs incurred. Administrative Cost Rate higher than 9% is not permissible. This rate exceeds the rate the Canadian Red Cross is charging to administer this program.

- ▶ Although not traceable, these costs are incurred by the organization nevertheless to undertake the project activities and achieve its outcomes. Nine percent represents a rate for the average indirect costs incurred by organizations for direct implementation of smaller grants (in particular) based on the Canadian Red Cross' granting experience. In other instances, the Canadian Red Cross would not permit the flat rate to apply to flow through costs, but as the size of the grants available is relatively small and given the context of COVID-19 these costs can be applied as a flat rate against all budget lines.
- ▶ Where 9% exceeds the organization's standard administrative costing rate, or what they believe they will reasonably incur, organizations may charge a lower administrative costing rate to ensure the maximum use of funds for activities to directly benefit beneficiaries.

## HOW DOES IT WORK?

This will be applied to your project budget as a flat rate. However, the rate only applies to the real and actual project spend of the project at the time of financial reporting.

For example, if the total project budget was \$ 87,200 inclusive of Administrative Costs the budget would be broken down as follows:

\$80,000	Budget Subtotal composed of Direct Costs and Project Equipment and Inventory budget categories
\$7,200	Administrative Costs (9%) shown as a flat rate for cost recovery
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\$87,200	Total Project Budget

However, the organization is only entitled to the full \$7,200 (9% of 80,000) if the full \$80,000 was spent on eligible costs. ***The rate is only applied against real and actual spend in accordance with these eligible costing rules and will be applied to financial reports reflecting real spend. So, if only \$60,000 was spent instead of \$80,000 the organization would only be entitled to an administrative cost recovery of \$5,400.***

The Administrative Cost rate will be applied to the real and actual total spend in the final financial report. Itemized reporting on administrative costs covered by this category is not required for general reporting.

## WHAT DOES THE ADMINISTRATIVE COSTING RATE COVER?

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This rate covers the costs associated with the general operations of the organization including generalized support such as resources shared across multiple projects and/or functions that tend to be not directly attributable to the project such as:

- ✓ book-keeping and general financial management staff for invoicing, receipting, and payment,
- ✓ payroll and benefits teams,
- ✓ people services/ human resource support,
- ✓ shared procurement resource and general logistics support,
- ✓ information technology support staff,
- ✓ contingencies,
- ✓ bank fees,
- ✓ phone and internet costs,
- ✓ equipment repair and maintenance,
- ✓ insurances costs,
- ✓ generalized subscription costs,
- ✓ administrative staff,
- ✓ travel costs not approved and incurred for the activities of the project such as general transportation costs of staff such as monthly parking fees or bus passes,
- ✓ existing equipment (including maintenance and depreciation),
- ✓ institutional legal support, quality management, enterprise risk and incident management,
- ✓ communications and website support,
- ✓ people services and recruitment costs,
- ✓ information technology costs including cyber security and basic IT infrastructure utilization,
- ✓ facilities (rental and lease costs), maintenance, janitorial and utilities costs,
- ✓ costs of audits and generalized organizational reporting,
- ✓ security,
- ✓ translation,
- ✓ generalized training for personnel including professional development,
- ✓ legal fees,
- ✓ materials and office supplies,
- ✓ postage and courier fees,
- ✓ non project specific advertising and promotion,
- ✓ board activities,
- ✓ bank charges.

Note: This list is non-exhaustive.

# PROJECT EQUIPMENT AND INVENTORY

This cost category represents project equipment and inventory newly acquired during the project term required to achieve the project outcomes and related to the project activities. This cost category is sometimes referred to as 'capital assets'. Examples include computers, furniture, software, equipment and other tangible property and assets.

## ELIGIBLE COSTING RATE

Actual and fair market value for assets, inventory and equipment purchased for the organization to meet the project purpose.

**Note:** Project equipment purchased to specifically support project activities will remain property of the Red Cross until the end of the project. Applicants should not assume they will be able to keep all inventory purchased for the project.

- ▶ Organizations are required to retain a listing of inventory purchased pursuant to this category which must be available on audit.
- ▶ In most applications, this should not exceed 15% of the total project budget. This depends on the project activities and the project outcomes.
- ▶ 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.

### Examples of Records Required To Be Retained by Organization Related to Capital Assets:

Records are required to be retained for seven years after the end of the project term.

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

Note: This list is non-exhaustive.

# DIRECT COSTS

This cost category represents direct costs incurred for the implementation of project activities to achieve the project outcomes that can be tracked and are directly attributable to the project.

To be a direct cost, it needs to be traceable and distinct from the organization's normal operating costs (which are recovered under the Administrative Costing Rate).

The Direct Costs section is broken down into the following subsections:

- 1) Staff Wages;
- 2) Arms-Length Sub-Contractors;
- 3) Direct Aid to Beneficiaries;
- 4) Logistics;
- 5) Training as a Project Activity;
- 6) Events as a Project Activity;
- 7) Travel for Project Activities.

## 1. STAFF WAGES

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This cost category represents the cost of personnel, payroll and other compensation for employees working on activities to achieve the project's outcomes.

### ELIGIBLE COSTING RATE

Actual sums paid to employees (including temporary or short-term employees) in accordance with the organization's pay scales for personnel required by the organization to carry out the activities of the project. This can include the total cost of an employee including vacation pay and benefits and the organization's standard contributions for benefits as required by virtue of a company policy or collective agreement for employees working directly on the project. Any person working on the project who is covered by the organization's policies should be reflected in this cost category.

- ▶ If only a percentage of an individual's time is required for project implementation, this must be reflected in the budget and timesheets/records showing actual time incurred against the project.

**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.

**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 to be Retained by Organization Related to Personnel:

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

Note: This list is non-exhaustive.

#### Examples of Ineligible Staff Wages Costs:

- Bonuses
- Additional remuneration (for example accommodation allowances not associated with project travel)
- Redundancy costs
- 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.

## 2. ARMS-LENGTH SUB-CONTRACTORS

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This cost category represents the cost of consultants, contractors and professional services required to achieve the project outcomes and related to the project activities. *The starting point should be that the project activities are undertaken by the organization's staff and volunteers and this line should be used sparingly for subject matter experts and/or surge capacity.* Surge capacity means, for example, the hiring of temporary, part time surge support working at an hourly rate, that are not included in the organization's payroll, and/or subject matter experts not within the organization's current personnel capacity but required for the successful implementation of the project activities.

- ▶ This budget category **may not exceed 25%** of the total Project Budget.

### ELIGIBLE COSTING RATE

The actual fair market value cost of subcontractor fees supported by a fair and open procurement process or multiple quotes.

- ▶ Sub-contractors should be arm's length from the organization and its personnel.<sup>1</sup>
- ▶ Sub-contractors should be selected following a fair and open procurement process where possible. Where not possible, ideally multiple quotes should be obtained and/or justifications for sole source and fair market value should be documented and available on audit.

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

- Procurement records for tender/RFP/RFQ, due diligence on costing (such as multiple quotes) justification of fair market value rate), and sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices, and receipts.

Note: This list is non-exhaustive.

## 3. DIRECT AID TO BENEFICIARIES

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This cost category represents supplies and materials to be distributed directly to beneficiaries to achieve the project outcomes. The most common example is food.

### ELIGIBLE COSTING RATE

Total costs and expenses for direct delivery of aid 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.

#### 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), and sole sourcing forms if applicable.
- Contract with sub-contractor/supplier.
- Purchase orders (PO), invoices, and receipts.

Note: This list is non-exhaustive.

#### Examples of Ineligible Costs for Direct Aid to Beneficiaries

- 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.

<sup>1</sup> Third party where there is no connection between the organization and its personnel and the vendor/ sub-contractor.



## 4. LOGISTICS - TO SUPPORT THE IMPLEMENTATION OF A PROJECT ACTIVITY

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This cost category represents the cost of transporting, storing and distributing supplies and materials to beneficiaries as part of the project activities and outcomes.

- ▶ Generalized and shared resource time for logistics would be covered by the Administrative Costing Rate. Personnel time for logistics should be recorded under the Staff Wages cost category.

### ELIGIBLE COSTING RATE

Actual and reasonable costs arising from the transportation, storing and distributing of 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.

#### 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), and sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices, and receipts.

Note: This list is non-exhaustive.

## 5. TRAINING AS A PROJECT ACTIVITY

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This cost category represents the costs of administering training as a project activity. This does not include the cost of general training for staff and personnel that is not related to COVID-19 and the project outcomes such as professional development.

### ELIGIBLE COSTING RATE

Actual and reasonable costs arising from the elements required provided they do not exceed the fair market value for each element. This Budget category is used to set out all the components required to run or acquire a training session. This includes, but is not limited to, training fees and/or costing such as facilitation services/fees, transportation for the facilitator, room rentals, coffee break costs, items for distribution as part of the training, seminar/training materials, etc.

**Note:** Justification for costs in this section should be clearly articulated in the application including how such activities support the achievement of the project outcome.

- ▶ 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 in, this facilities cost would fall under the Administrative Costing Rate and should not be captured here.
- ▶ Include the fees and travel expenses (if applicable) for a training facilitator here rather than in the Arms-Length Sub-Contractor category.

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

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

Note: This list is non-exhaustive.

### Examples of Ineligible Costs for Training

- Promotional items (general swag, pens, hats, and 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.

## 6. EVENTS AS A PROJECT ACTIVITY

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This cost category represents the costs for hosting an event for beneficiaries as a project activity in furtherance of the project outcomes. This is most likely applicable to public awareness or informational events.

### ELIGIBLE COSTING RATE

Actual and reasonable costs arising from the elements required provided they do not exceed the fair market value for each element. This Budget category is used to set out all the components required to run or acquire an event. This includes, but is not limited to, training fee and/or costing such as facilitation services/fees, transportation for the facilitator, room rental, coffee break costs, and items for distribution.

**Note:** Justification for costs in this section should be clearly articulated in the application including how such activities support the achievement of the project outcome.

- ▶ 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 the event in, facilities cost would fall under the Administrative Costing Rate and should not be captured here.

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

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

Note: This list is non-exhaustive.

### Examples of Ineligible Costs for Events

- Fundraising events
- Promotional items (general swag, pens, hats, and 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.

## 7. TRAVEL EXPENSES

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Generally, travel expenses should be covered by the Administrative Costing Rate. This cost category represents expenses for travel directly related to the project, required to carry out the project purpose. Using the Description of Costs column in the Budget Form, explain how the travel is necessary for achieving the project outcomes.

### ELIGIBLE COSTING RATE

Travel costs actually and reasonably incurred by the organization in accordance with the maximums set out in 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. This includes applicable allowances/rates for meals, incidents, baggage fees and private vehicle usage (mileage)

<http://www.njc-cnm.gc.ca/directive/travel-voyage/index-eng.php>.

**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 for travel outside of the headquarters area, in accordance with the provisions of the Travel Directive.

**Transportation.** The actual and reasonable cost of commercial transportation and can include the cost of airfare, taxis, car rentals and mileage on already owned vehicles. 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. The Canadian 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.

- ▶ Note that this cost category is different to the Logistics Expenses category in that it relates to additional expenses incurred by your personnel for travel (mileage, per diems, etc.). If personnel are traveling locally to distribute direct aid to beneficiaries, those costs should be included under logistics.

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

- Expenses submitted for travel costs in accordance with the allocations set out herein
- Documentation that the travel actually occurred -such as boarding passes

Note: This list is non-exhaustive.

#### Examples of Ineligible Costs for Travel Expenses

- Seat upgrades and seat selection
- First class, or business class travel
- Alcohol
- Per diems or claims in excess of the Treasury Board standards
- Flight cancellation cost
- Cancelled travel not actually taken
- Travel insurance
- International travel, including the USA (unless expressly pre-approved by the Canadian Red Cross in advance)

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