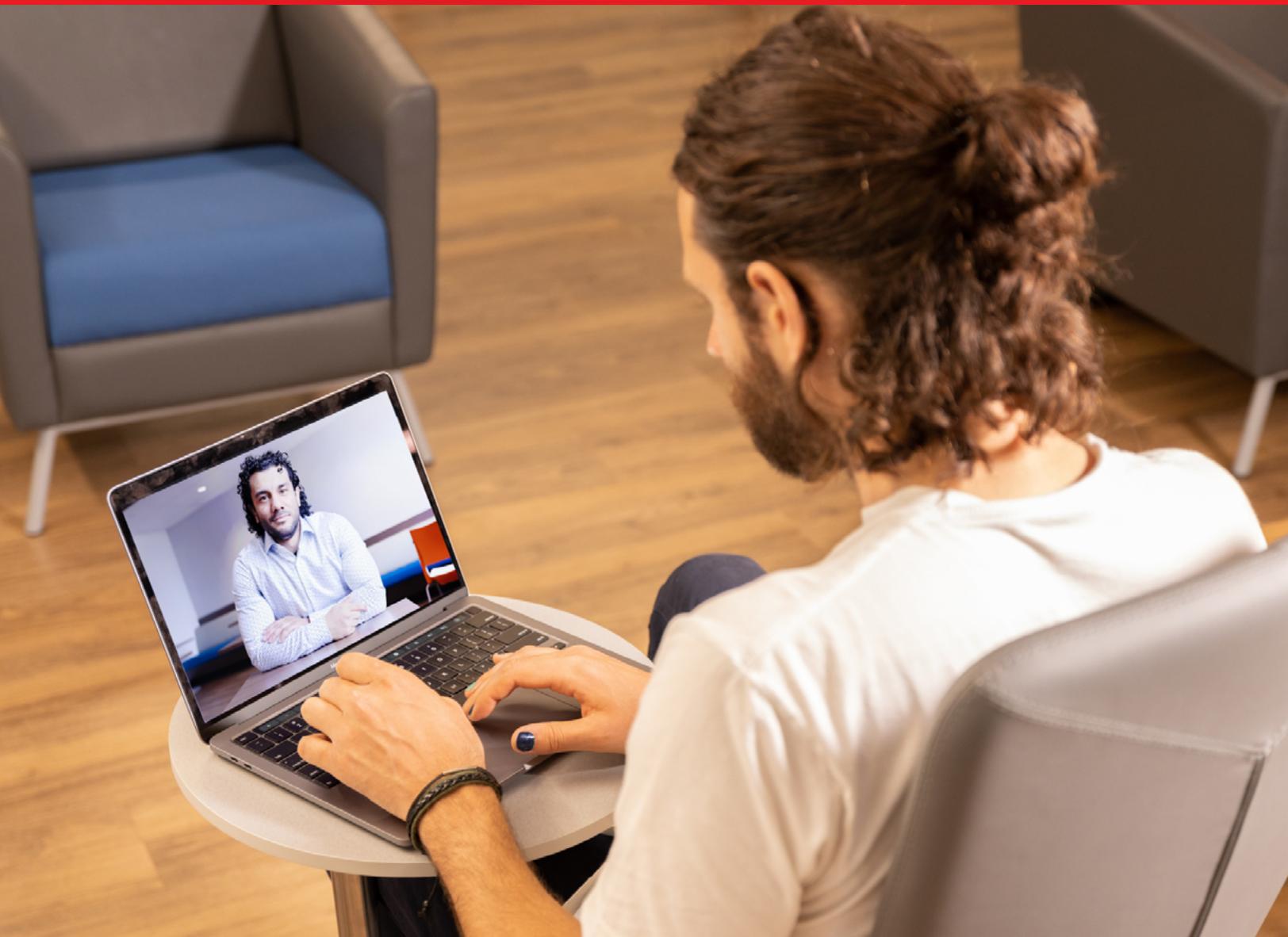


# Eligible Costing Guidelines

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## Strengthening Community Capacity to Support Mental Health and Wellbeing

COVID-19 Mental Health and Wellbeing Grant Program



*Financial contribution from*



Public Health  
Agency of Canada

Agence de la santé  
publique du Canada

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# Welcome!

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This document contains the Eligible Costing Guidelines for grant projects funded by the Canadian Red Cross as part of the COVID-19 Mental Health and Wellbeing Grant Program. Use this document as a guide when preparing your project budget and as a reference throughout your funded project.

This document sets out:

- How the Canadian Red Cross defines ‘eligible costs’, which are project costs that may be included in a project budget and reimbursed with funding from the Canadian Red Cross
- Costs that are ineligible, and therefore cannot be included in your project budget and cannot be reimbursed with funding from the Canadian Red Cross
- The structure of a Canadian Red Cross project budget, the types of costs that should be reflected in each budget category, and how to calculate these
- Guidance on the supporting documentation that must be retained to support project expenditures
- The administrative cost contribution and how this is applied



**Organizations are required to manage project funds in accordance with the Eligible Costing Guidelines as well as all terms of the Granting Agreement. Please read the terms of your Granting Agreement thoroughly.**



**Contact us for support:**

The Canadian Red Cross team is always happy to meet with organizations to discuss how to develop your project budget, understand the terms of your Granting Agreement, interpret these Eligible Costing Guidelines, and/or comply with the requirements in practice.

# Understanding ‘Eligible Costs’



## Important:

The Canadian Red Cross can only approve costs that are demonstrated as ‘eligible costs’ in accordance with these Eligible Costing Guidelines. In addition to reviewing the proposed project budget as part of the application process, the Canadian Red Cross will review the financial reports and supporting documentation of funded projects to ensure eligibility of costs and expenditures.

In order to be considered ‘eligible costs’ for projects funded by the Canadian Red Cross, expenses must be:

- ✓ Directly attributable to the project
- ✓ In furtherance of project activities and outcomes
- ✓ Reasonable
- ✓ Actually and properly incurred
- ✓ In line with these Eligible Costing Guidelines and the terms of the Granting Agreement

All eligible expenses need to be verifiable, detailed, and supported by proper documentation. Reimbursement by the Canadian Red Cross will be based on actual expenditures incurred, as supported by the relevant source documents (for example, receipts).

The table below shows what this means in practice:

Characteristic	What this means	How to demonstrate this
Directly attributable to the project	Funds must be used directly for the agreed project only, and not for other work or operating expenses of the organization.	<ul style="list-style-type: none"> <li>✓ By only including costs in the budget that are directly needed for successfully implementing the project and providing justification for these costs.</li> <li>✓ By understanding the general organizational costs that the Administrative Costs category is intended to support. Administrative Costs (sometimes called ‘indirect costs’ or overhead) should not be included as individual budget lines in other sections of the project budget.</li> <li>✓ By maintaining a general ledger for your project in your accounting system OR by keeping a list of all expenses paid that are specific to the project. Project expenditure must be kept distinct from and managed separately from your organization’s other expenses.</li> </ul>

Characteristic	What this means	How to demonstrate this
In furtherance of the project activities and outcomes	It must be clear how each cost relate directly to the purpose and activities of the project.	<ul style="list-style-type: none"> <li>✓ By developing your budget based on your project workplan so that it is clear how the costs support the activities.</li> <li>✓ By providing a clear explanation and breakdown of how you calculated costs for each budget category.</li> <li>✓ By including comments and explanations to support your budget and financial reports.</li> </ul>
Reasonable	Costs must be reasonable compared to fair market value for an equivalent good or service.	<ul style="list-style-type: none"> <li>✓ By seeking and documenting multiple quotes for large purchases.</li> <li>✓ By doing research to document the cost of similar items and keeping notes of your findings on file.</li> <li>✓ By undertaking a fair and open procurement process for very large purchases, bulk purchases or supplier sub-contracts.</li> </ul>
Actually and properly incurred	<p>The Canadian Red Cross can only reimburse for actual paid costs or expenses, with supporting documentation, in accordance with the approved budget.</p> <p>In other words, organizations will only be reimbursed for funds actually spent on the project, in line with these Eligible Costing Guidelines.</p>	<ul style="list-style-type: none"> <li>✓ Keeping all original source documents (invoices, cheques, payment confirmations, etc.)</li> <li>✓ Keeping in touch regarding changes in the budget or planned expenditure.</li> </ul>
In line with these Eligible Costing Guidelines and the terms of the Granting Agreement	<p>This document, alongside the Granting Agreement, represent the requirements for the management of funds provided by the Canadian Red Cross.</p> <p>These requirements reflect the obligations of the Canadian Red Cross as a charitable humanitarian organization that distributes funding to other community organizations in Canada, in furtherance of our charitable objects.</p>	<ul style="list-style-type: none"> <li>✓ Reviewing this document and your Granting Agreement regularly.</li> <li>✓ Helping each person involved in the project understand the financial management basics.</li> <li>✓ Checking in with CRC's Grant Team if you are not certain or have questions.</li> </ul>

# Ineligible Costs Across Categories

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As a charitable humanitarian organization, there are some costs that the Canadian Red Cross is unable to fund. Please also refer to the Ineligible Activities list in the Program Guidelines.

In addition to the list below, consult the common ineligible costs listed under each Budget Category in the following sections.

The following costs are considered ineligible costs, and therefore not eligible for reimbursement by the Canadian Red Cross:

- Costs incurred before or after the Eligible Costing Date stated in the Granting Agreement
- Costs or expenses for entertainment
- Professional membership and professional development fees
- Gifts and prizes
- Provision for losses or potential future liabilities
- Contingencies (as a percentage of the budget)
- Exchange losses
- Interest expenses
- GST that would be reimbursed to a charitable organization by Canada Revenue Agency
- Alcohol and cannabis
- Training for personnel not dedicated to the project
- Individual membership fees for private clubs (e.g., golf clubs, gyms)
- Legal costs and penalties (should be covered by insurance)
- Costs associated with fund raising
- Costs associated with profit-making activities
- Gift cards

**Note:** *this list is non-exhaustive. The Canadian Red Cross will review budgets and financial documentation of funded projects to ensure alignment with the principles of these Eligible Costing Guidelines.*

# Eligible Costs & Budget Categories

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## How to use this section

This section sets the rules and parameters for eligible costs in each of the eight budget categories below:

1. Personnel - Employees
2. Personnel - Sub-Contractors and Professional Service Providers
3. Direct Aid
4. Materials & Supplies
5. Project Equipment
6. Travel Expenses
7. Training & Events
8. Administrative Costs

To be considered 'eligible costs', costs and expenditure must comply with the parameters set out herein for each budget category, as well as the characteristics of eligible costs listed earlier.

Each Budget Category section below includes:

- An explanation of the purpose of the category
- The **Eligible Costing Rate** for costs in that category
-  **Common eligible costs** in the category
-  **Common ineligible costs** in the category
-  **Supporting documentation** that must be retained over the course of the project. Documentation may be requested by the Canadian Red Cross at any time to substantiate eligibility of costs. Further, all original source documentation for the project must be held on file for a period of 7 years in case of audit.
-  **Budget tips** for calculating common costs in the category and preparing your budget

# 1. Personnel – Employees

This budget category represents the cost of personnel, payroll and other compensation for employees working on activities to achieve the project's outcomes. Salary costs and benefits, or hourly wages for individuals employed to work on activities directly related to the project objectives are eligible expenditures.

Any person working on the project who is covered by the organization's employee policies should be reflected in this cost category. Costs for others who are not employed by the organization should be reflected in other categories as appropriate, such as the Personnel – Subcontractors and Professional Service Providers or Training & Events categories.

**Eligible Costing Rate:** Actual sums paid to employees (including permanent, 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 should reflect the total cost of an employee including vacation pay and benefits, as well as the organization's standard contributions for benefits as required by virtue of a company policy or collective agreement.

## ✓ Common eligible costs

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;
    - 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.

Benefits cannot be calculated at more than 20% of the salary.
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, for example for Indigenous Elders, honoraria should be included in this category. The principle of reasonableness applies, and documentation should be kept.

## ✗ Common ineligible costs

- Bonuses
- Additional remuneration
- Redundancy costs
- Accommodation
- Severance costs

*Note: this list is non-exhaustive.*



## Supporting documentation

that must be retained:

- Time management/tracking records such as timesheets
- Payroll documentation and/or general ledger showing personnel expenses

*Note: this list is non-exhaustive.*



## Budget tips:

1. If only a percentage of an individual's time is required for project implementation, this must be reflected in the budget. Further, you will be required to submit timesheets/records showing actual time incurred against the project.
2. You may wish to represent employee time as FTE (Full Time Equivalent) percentages, a budgeted percentage of the total cost for that employee (including salary and benefits) or based on a daily rate.
3. The daily rate per employee can be calculated as follows:  
$$\frac{[(\text{Annual direct salary plus Annual paid benefits})]}{[(260 \text{ days minus Annual allowable time off benefits})]}$$

This calculation should be indicated in the description section of the project budget for each line, with notes as relevant.
4. Make sure the units are identified as well as partially funded positions (e.g., 2 days per week substantiated by timesheets).
5. Overtime (as permitted by the organization's Human Resources "HR" policies and procedures) can either be costed into the budget if reasonably anticipated, or if unanticipated, can be accounted for as an Eligible Cost within the financial reports along with notes on the justification for this.
6. If you are budgeting for a new position, don't forget to account for the time required to recruit and hire the role for which there will be no personnel costs.

## 2. Personnel – Sub-Contractors and Professional Service Providers

This budget category represents the cost of consultants, advisors, and specialized professional service providers who are not personnel of the organization but are required to achieve the project purpose and activities. A Professional Service Provider is an individual with significant training, qualifications, and expertise in a professional, scientific, technical, or managerial field who provides a service to the organization for the project.

Note that sub-contractors are self-employed, and as such do not receive benefits from the organization and are responsible for their own taxes and invoicing against the contract.

**Eligible Costing Rate.** The actual fair market cost of sub-contractors' fees under a sub-contract, supported by a fair and open procurement process or multiple quotes.

- i. **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 sub-contractor or for similar work being performed under this agreement and shall exclude increased rate for overtime. This must be evidenced by an assessment of fair market value (such as multiple quotes or having a fair and open tender).
- ii. **Sub-Contractors should be arm's length from the organization and its personnel.** "Arms-length" means there is no connection between the organization or its personnel and the vendor/sub-contractor. A connection could result in a personal interest that would affect the perception of the procurement and tendering process. For example, an organization is "Not arms-length" when the organization is related to the sub-contractor. In the case of a sub-contractor that is a corporation or company, sub-contractor 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.

### ✓ Common eligible costs

- Fees charged by contracted consultants providing professional services
- Fees charged by psychologists, psychiatrists, or other mental health professionals
- Fees for translation services, interpreters



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

### ✗ Common ineligible costs

- Fees for sub-contractors that are not demonstrably arms-length from the organization and its personnel
- Tender costs to secure services
- Statutory and employee benefits (as Professional Service Providers are subcontracted, and not employees of the organization)
- Fees that exceed fair market value
- Increased fees for overtime not covered by the contract with the professional

*Note: this list is non-exhaustive.*



## Supporting documentation

that must be retained:

- 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-contractors, purchase orders (PO), invoices, and receipts for payment

*Note: this list is non-exhaustive*



## Budget tips:

1. Include the anticipated cost/rate per sub-contractor, keeping in mind the requirements above to substantiate these costs
2. Add a separate line per entity
3. Remember, facilitators for training sessions or events should be reflected in the Training & Events category



### 3. Direct Aid

This budget category is used to itemize direct delivery of material aid, or in other words, supplies to be distributed directly to participants/beneficiaries of the project, in line with the project purpose and outcomes.

For example, in a project that seeks to support isolated seniors, an organization might deliver grocery baskets as part of their outreach activities. In this case, the cost for grocery baskets would be included in the Direct Aid category because these supplies will be distributed directly to – and left with – project participants/beneficiaries.

**Eligible Costing Rate:** Total costs and expenses for direct material 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.

#### ✗ Common ineligible costs

- Gift Cards
- Disbursement of financial assistance or non-material support for individuals/clients (for example, rent coverage, utilities, or personal internet subscriptions)
- Religious supplies (there may be some exceptions, contact us!)
- Commissioned or purchased artwork not for public use
- Contests, prizes, awards, trophies, plaques, promotional items or similar materials not directly required for the project purpose



#### Supporting documentation

that must be retained:

- Receipts for purchases of direct aid materials
- Procurement records for tender/RFP/RFQ for larger purchases or supplier contracts, and sole sourcing forms if applicable
- Due diligence (research and seeking multiple quotes) on fair market value costs (including justification that the supplier chosen offers fair market value compared to other quotes)
- Contract with sub-contractor, purchase orders (PO), invoices, receipts

*Note: this list is non-exhaustive*



#### Budget tips:

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 and/or for different activities
4. Clearly explain in the comments how the materials support the project purpose

## 4. Project Materials and Supplies

This cost category represents the consumable materials and supplies that are critical for successful delivery of the project. It must be clear how these materials are required and directly linked to project activities.

**Eligible Costing Rate.** Actual and reasonable project costs of materials, supported by source documentation (receipts, purchase orders, etc.). As with other costs, evidence of fair market value and corresponding due diligence must be kept on file with good record keeping practices.

### ✗ Common ineligible costs

- General stationary supplies not directly linked to project activities (the Administrative Costs contribution can be applied towards general office supplies)
- Decorations for the office
- Costs related to staff awards

*Note: this list is non-exhaustive*



This budget category ***should not exceed 15%*** of the total Project Budget.



### Supporting documentation

that must be retained:

- Procurement records for tender/RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable
- Documents supporting justification of fair market value (price or quote comparisons, etc.)
- Purchase orders (PO), invoices, receipts

*Note: this list is non-exhaustive*



### Budget tips:

1. Use the comments section of the budget to provide details of the materials to be purchased.
2. Note that specific materials for workshops or events should be reflected in the Training & Events category.

## 5. Project Equipment

This Budget Category is used to itemize actual, real and fair market value for equipment purchased for the project, that is required for the Organization to meet the project purpose.

**Eligible Costing Rate.** Actual and reasonable costs of equipment, supported by source documentation (receipts, purchase orders, etc.). As with other costs, evidence of fair market value and corresponding due diligence should be kept on file.

In order to be an eligible cost, the equipment 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 Budget Category. Project equipment should be purchased using the organization's procurement policies provided such practices comply with this document and the Granting Agreement, which require evidence of fair market value. Organizations are required to retain a listing of equipment purchased pursuant to this category which must be readily available on request.

**Note:** Equipment purchased to specifically support project activities will remain property of the project (and therefore, property of the Canadian Red Cross as the funder) until the end of the project, at which time the Canadian Red Cross may choose to gift equipment to the organization or may direct the organization to dispose of it in another manner. Organizations should not assume they will be able to keep equipment purchased for the project.



### Supporting documentation

that must be retained:

- 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 order (PO), invoices, 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*

### ✗ Common ineligible costs

- Equipment, inventory, or technology that is not newly acquired for the project
- Non-specialized equipment, inventory, or technology like desks, workstations, or phones that will be used only in part for the project (see Administrative Costs)
- Rental charges for use of recipient owned equipment
- Extended warranties for equipment



In most projects, this budget category **should not exceed 15%** of the total Project Budget.



### Budget tips:

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.
4. Using the notes section on the budget template, explain how the equipment and inventory is necessary for achieving the project purpose, and which activity it relates to.

## 6. Travel Expenses

This Budget Category is used to capture expenses for personnel travel that is directly related to the project and required to carry out the project purpose.

In order to ensure travel costs are equitable across projects, the Canadian Red Cross follows the Travel Directive and Special Travel Authorities of the Treasury Board of Canada Secretariat.

**Eligible Costing Rate.** Travel costs actually and reasonably incurred by the organization in accordance with the provisions of the Travel Directive and 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.

### ✓ Common eligible costs

#### **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 <http://www.njc-cnm.gc.ca/directive/travel-voyage/index-eng.php>. These costs are sometimes referred to as “per diems”.

1. **Accommodation.** The actual and reasonable cost of a single room in a 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.
2. **Transportation.** This can include the cost of airfare, taxis, car rentals and mileage on vehicles already owned by the organization.
  - i. Airfare: the cost of commercial transportation based on the lowest available fares, using the most direct routing.
    - a. The organization shall endeavor 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. 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.
    - c. The organization must be able to demonstrate with proper supporting documentation deemed satisfactory to Canadian Red Cross, the lowest fare available at the time of reservation.

### ✗ Common ineligible costs

- Travel Insurance (health, cancellation, baggage, etc.)
- 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 the Canadian Red Cross in advance)

*Note: this list is non-exhaustive*



## Supporting documentation

that must be retained:

- 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

*Note: this list is non-exhaustive*



## Budget tips:

1. Estimate and enter the anticipated cost/rate for items.
2. Using the notes section on the budget template, explain how the travel is necessary for achieving the project purpose, and which activity it relates to.



## 7. Training & Events

This Budget Category is used to set out **all the components** required to run a workshop, training session for personnel of the organization and/or event for beneficiaries. This includes, but is not limited to, costing such as facilitator services/fees, transportation for the facilitator, venue rentals, coffee break/refreshment costs, items for distribution as part of the event (e.g., workbooks or other training materials), etc.

For example, you could put the fees for a facilitator in the Personnel – Subcontractors & Professional Service Providers category, but because this cost is an integral part of the overall event, we would ask that you instead itemize them in the Training & Events Budget Category.

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

### ✗ Common ineligible costs

- Fundraising events
- Events where a profit is being made by the organization
- Promotional items (t-shirts, hats, pens, etc.)
- Professional development courses for personnel, which are not directly and substantially required for the undertaking of the project



#### Supporting documentation

that must be retained:

- 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
- Contracts with suppliers, facilitators, venue, etc. Plus 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*



#### Budget tips:

1. Detail the different aspects and identify these clearly, such as facilitator service fee, facilitator travel, meeting room rental, catering, etc.

## 8. Administrative Costs

The project budget should include all direct costs for your project. Direct costs are traceable and distinct from normal operating costs of the organization. In other words, they are the new or additional resources needed to successfully achieve the project purpose.

In addition to the direct costs budgeted by the organization, a contribution to Administrative Costs will be automatically added at the standard rate of 9% of the total budget. This is intended to permit organizations to cost recover for ongoing operational costs, overhead and typical indirect costs incurred by the applicant organization as they go about their normal work and their work on the project. In unique cases, depending on the project activities the Canadian Red Cross may further adjust the administrative percentage as part of our review of your application and will discuss these adjustments with you prior to signing the Granting Agreement.

The Administrative Costs category may also be referred to as 'overhead', 'indirect costs' or 'management costs'. The Canadian Red Cross uses the term Administrative Costs in recognition that organizations incur indirect costs in the implementation of projects.

### ✓ Common expenses intended to be covered by the Administrative Costs contribution

The following costs should generally not be included as Direct Costs in the Project Budget, as they would be considered shared resources not directly attributable to the project:

- General administrative support to the project: such as Executive management (CEO, COO, CFO, etc.), accounting, bookkeeping and general financial management, internal audit function, legal support and expenses, information technology support staff, facilities support personnel, human resources, shared procurement resources, general logistics support, material management
- Board activities
- Office supplies
- General communications and website support
- Information technology costs including cyber security and basic IT infrastructure utilization
- Existing information technology equipment and support (e.g., centralized IT systems, networks)
- Contingencies
- Bank charges/fees
- Phone and internet costs
- Equipment repair, maintenance, or depreciation costs
- Insurance costs
- Generalized subscription and membership costs
- Advertising and promotion (non-project specific)
- Rent, utilities, maintenance, and use of existing facilities
- Other shared resources not directly attributable to the project