

State of Alaska
Department of Labor and Workforce Development
Division of Business Partnerships

Grant Administration Procedures

Subject: Grant Recipient Contributions		Pages: 15
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Approved:  Corine Geldhof, Director	 Date	

1) **Parties Affected**

These procedures apply to recipients of grants from the Division of Business Partnerships (Division) and to Division staff.

2) **Purpose**

This document provides guidance on determining the valuation of contributions made by grant recipients to projects funded by grants from the Division.

3) **Definitions**

- a) *Acquisition cost*, for the purpose of this document, is the total cost associated with purchase or construction of a facility or the purchase of equipment. For facilities, acquisition cost should not include the cost of the land upon which the facility stands. For equipment, acquisition cost includes the cost of the equipment and any additions or accessories included at the time of purchase, and includes the cost of delivery to the place of use and any costs to install or set up the equipment for use.
- b) *Assets or tangible assets*, for the purpose of this document, are facilities or equipment owned or used by the grant recipient.
- c) *Cash contribution* is the amount of money a grant recipient provides or expends from its own funds in support of the activities conducted under a grant from the Division.
- d) *Depreciation* is allocation of the cost of an asset over its useful life. The amount of depreciation must be computed via a generally accepted method taking into account the date of the acquisition, the cost of the asset and the asset's useful life. The Division will accept, as a grant recipient contribution, only that part of the depreciation that is proportionate to the use of the asset for grant activities. Once

a depreciation methodology is used for calculating a contribution, it may not be changed unless approved in advance by the Division.

- e) *Equipment* is an item of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost equal to or greater than \$5,000.
- f) *Fair market value* is the valuation of in-kind or donated goods or services based upon what it would cost an organization if it had to pay for comparable new or used goods or services.
- g) *Grant* is all of the documents included in the contractual agreement between the Division and a financial assistance recipient under one of the Division's job training programs, and includes Reimbursable Services Agreements (RSAs) with other state agencies that provide services to the public.
- h) *Grant recipient* is the organization specified in a grant or RSA as the recipient of the grant.
- i) *Grant recipient contribution* is the value of the additional resources provided in direct support of the activities funded through a grant from the Division, and may include cash, in-kind contributions, leveraged funds, or the use of facilities and equipment.
- j) *Grant period or period of performance* is the interval of time specified by beginning and ending dates of the grant as identified in a grant agreement from the Division.
- k) *In-kind contribution* is the fair market value of the goods and services that are contributed or are donated by the grant recipient or other persons in support of a grant from the Division.
- l) *Leveraged funds*, for the purpose of this document, are resources provided through state, federal, or other funding sources that a grant recipient uses to benefit activities funded by a grant from the Division. Unlike cash contributions, leveraged funds may have restrictions on how the funds are to be expended.
- m) *Match or matching funds* are the cash or in-kind contributions that a grant recipient is required to provide in support of a grant from the Division as specified in the grant agreement. Grants from the Division typically do not include match or matching fund requirements. A different set of valuation standards from those described in this document may apply to match or matching funds.
- n) *Operating costs*, for the purpose of this document, are the costs that are incurred by an organization in order to use a facility or piece of equipment and can include the costs required to maintain the facility or equipment in usable condition.
- o) *Supplies* are tangible, expendable property with a per unit value of less than \$5,000 and that have an expected life of one year or less. Supplies are items that are expected to be used or consumed within one year of purchase or donation.

- p) *Use allowance* is a methodology that can be used in lieu of depreciation for claiming facility and equipment costs as contributions.
- q) *Useful Life*, for the purpose of this document, is the number of years over which an asset, such as a facility or equipment, is expected to be usable, with normal repairs and maintenance, for the purpose for which it was acquired.

4) **Grant Recipient Contribution Procedures**

- a) A grant contribution must be:
 - i) necessary and reasonable for accomplishment of the project objectives;
 - ii) a cost that would be allowable if the grant were to pay for it;
 - iii) used only for one grant project and not be a contribution under another grant; and,
 - iv) documented and verifiable in the grant recipient's records.

Contribution information and records become part of the grant records and are subject to the record retention requirements specified in the grant agreement.

- b) Grant recipient contributions may include:
 - i) Cash contributions,
 - ii) In-kind contributions,
 - iii) Leveraged funds,
 - iv) Use of facilities and equipment.
- c) Grant recipient contributions must be provided during the period of performance of the Division's grant.
- d) The contributions cannot be for costs that are not allowable, such as alcoholic beverages or entertainment, which are prohibited under Division of Business Partnerships Policy 670.00, WIA Allowable Costs.
- e) Cash Contributions
 - i) Cash contributions are valued at the direct dollar amount that is specifically contributed to or used for the Division's grant project, and that are provided by the recipient's funds, such as the organization's General Fund, member contributions, or other donated funds.
 - ii) Cash paid from grant recipient's funds for goods or services provided in support of grant activities may be used as a cash contribution. There must be separate accounting codes for these expenditures so that they are clearly and separately identified in the grant recipient's accounting system as being cash contributed to support the grant from the Division.
 - iii) If a cash contribution is used for personal services, the grant recipient's employees must maintain timesheets that document the amount of time an individual works on the project, both as a part of the grant and as part of the

cash match. Timesheets should show the actual hours worked on a daily basis, usually in increments of no less than 15 minutes.

f) In-Kind Contributions

Grant recipient in-kind contributions are services provided by volunteers or goods and materials donated or provided by an organization or individual other than the grant recipient to support the activities funded by the grant from the Division. In-kind contributions should not be claimed as contributions on other state or federal grants.

g) In-Kind Contribution - Personal Services

- i) The determination of the provision and valuation of in-kind personal services is dependent upon several different factors, including:
 - (A) If the individual is employed by the grant recipient or is employed by another organization;
 - (B) If the services provided fall within the regular duties of the individual or are other duties or activities;
 - (C) If the services are paid or not paid by the grant recipient or another organization;
 - (D) If the services are provided during the individual's normal working hours or are outside of those working hours; and,
 - (E) If the individual is overtime exempt or overtime eligible under the Fair Labor Standards Act (FLSA).

The factors above can determine whether the provision of the personal services is considered an in-kind contribution, cash contribution, or leveraged funds. Some of these factors are discussed in the following section of this document. The table at the end of this document titled *Contributions from Personal Services* provides additional information.

- ii) In-kind personal services must be based on the fair market value of the services being provided and should be based on the prevailing wage and benefit rate in the local community for the type of work being performed on grant activities. The grant recipient must document in its files the fair market value of the contributed personal services, including how those amounts were determined.
- iii) The value of in-kind personal services must be for the type of activities performed, and not, necessarily, be based upon the normal compensation received by the individual performing the service. For example, if an attorney contributes time to the grant doing clerical work, the in-kind service should be valued at the fair market value of secretarial or clerical services, not at the rate of an attorney. However, if an administrative manager works on the project by providing assistance in budgeting, then it is appropriate to value the contributed services at the pay rate the administrative manager usually receives if budgeting is a normal part of the manager's responsibilities.

- iv) For in-kind contributions of personal services, the individual should not be paid for time worked on the project by either the grant recipient or the individual's normal employer. In-kind personal services should be voluntary and uncompensated. If the personal services are compensated, this might be considered a cash contribution or leveraged funds, rather than in-kind contribution.
- v) The documentation maintained for in-kind personal services contributions should be the same as that maintained for the expenditure of grants funds for personal services. There should be some form of documentation that records the amount of time the individual worked on grant related activities, such as a timesheet signed by the individual.
- vi) If an individual provides services in activities with different fair market values, records must be maintained to document the amount of time spent on each activity. For example, if an individual contributes time doing planning work and secretarial work, such as copying documents for a meeting, these two activities should be valued at different rates per hour. Documentation is needed to record the amount of time the individual spent in both activities, as well as the calculation of the value of those services.
- vii) If the in-kind personal services are provided by someone who is not an employee of the grant recipient, there should be documentation to demonstrate the volunteered time was provided outside of the person's normal working hours and/or normal job responsibilities. If the time spent working on the Division's grant was during the person's normal working hours and the individual was compensated for the work, the contribution should be claimed as leveraged funds rather than an in-kind contribution. The time of federal employees on duty cannot be claimed as an in-kind contribution.
- viii) If the person for whom in-kind personal services are being claimed is an employee of the grant recipient and is overtime exempt under the Fair Labor Standards Act (FLSA), documentation should be maintained to demonstrate that the activities engaged in are not a part of the employee's normal duties. If the employee is overtime exempt, then any amount of time engaged in grant related activities that falls within the employee's normal duties would not count as an in-kind contribution, since the employee would be providing the work as a part of their normal responsibilities even if provided outside of the employee's normal working hours. If the grant related activities are not a part of the employee's normal job responsibilities, then this can be considered an in-kind contribution, provided the activities occurred outside the employee's normal working hours. In this instance, the employee's time working on grant activities could be considered voluntary and uncompensated, as the activities were not job related.

- ix) If the grant recipient employee is FLSA overtime eligible, the employee's grant activities would have to fall outside of the employee's normal working hours and job responsibilities to be considered an in-kind contribution. If the employee completes work outside of normal working hours and the work activity falls within the individual's job responsibilities, the individual should be paid overtime and the hours should not be counted as an in-kind contribution. If the overtime was paid with funds other than the grant from the Division, this might be considered either a cash contribution or leveraged funds, depending on the source of funds paying the overtime.

- h) In-Kind Contribution – Goods and Materials
 - i) If the grant recipient receives donated supplies or other materials, documentation must be maintained of the fair market value of those supplies or materials. If the supplies or materials are new, the valuation is based upon the purchase price of the materials. If the materials are used, then the fair market value is based on information concerning what comparable used materials would cost in the local market. The grant recipient must maintain documentation supporting the determination of the value of the contributed goods or services.

 - ii) The donated supplies or materials can only be claimed as a contribution to the extent to which they are used to directly support the grant activities. For example, if 100 textbooks are donated to support the training, but only 55 textbooks are used in the training, then the contribution would be limited to the value of the 55 textbooks actually used.

- i) Leveraged Funds
 - i) In certain circumstances, the grant recipient or another organization may receive grants or other funding that can be redirected to meet or support the activities of the grant from the Division. For example, the grant recipient may have grants or other funding that have existing activities that support, in whole or in part, the activities funded by the grant from the Division. The value of these redirected activities may be considered leveraged funding.

 - ii) If the grant recipient or another organization is redirecting the activities provided through another grant or funding source to support the Division's grant, the grant recipient must document the amount of the other grants or funds that were redirected. When the grant recipient is leveraging its other grants or funds, the use of a separate accounting code or a sub-account code can be used for documenting the leveraged funds. If the leveraged funds are from another organization, the grant recipient must maintain adequate documentation of how the valuation of those leveraged funds was determined.

 - iii) If existing grants or other funding sources fully support the Division's grant activities, the grant recipient can report as leveraged funds the total

amount expended under the other grants or funds during the period of performance of the Division's grant.

- iv) If only a portion of existing grants or other funding sources support the Division's grant, the grant recipient must establish a method for determining how much of the other grants or funds were used to support the Division's grant. The valuation of the contribution would be the costs associated with the activities of the other grants or funds that supported the Division's grant.
- j) Facilities and Equipment
 - i) There are two types of costs by which Facilities and Equipment may be accepted as grant recipient contribution: a) the value of the asset being provided, and b) the value of the cost of operating and maintaining the asset during the life of the grant. Examples of these contributions and how they are calculated are provided at the end of this document.
 - ii) If the grant recipient uses its own equipment or facilities in grant activities, the value of such equipment or facilities can only be used as a contribution if the equipment or facilities were purchased with the grant recipient's funds and not through other state or federal grant funds. The fair market value of the contribution of the equipment or facilities can only be used if the equipment or facilities have not been used as match or contribution on other state or federal grants.
 - iii) The maintenance and operating costs of facilities and equipment can be provided through cash contributions, in-kind contributions, and leveraged funds.
 - iv) There are two methods for determining the value of the Facility or Equipment being provided: a) the depreciation method, or b) the use allowance method.
 - v) The depreciation method determines the value of the facilities and equipment being provided to the grant by determining the amount of depreciation expense associated with the asset during the time it supports grant related activities. To calculate the depreciation expense, the grant recipient must document the amount of time the facilities or equipment is used to support the grant activity. For facilities, the grant recipient must also document the percentage of the facility's area that was used for grant related activities.
 - vi) If the grant recipient annually completes a depreciation schedule for its physical assets, that rate of depreciation may be used for valuing the appropriate share of the contribution. Otherwise, the grant recipient must use a straight line depreciation calculation, which is the acquisition cost of the asset divided by the number of years of its useful life. The amount of

depreciation expense must be adjusted for the actual amount of use for grant related activities.

- vii) If the facilities and equipment are fully depreciated during the period of performance of the grant, only the proportionate share of the depreciation up until the time when the asset is fully depreciated can be claimed as a grant recipient contribution. No depreciation contribution can be claimed for facilities and equipment that have been fully depreciated.
 - viii) The application of the use allowance methodology is dependent upon whether the asset being claimed as a contribution is a facility or equipment. For a facility, the use allowance method allows for two percent (2%) of the cost of the facility and any improvements to be used to calculate the contribution. For equipment, six and two-thirds percent (6 2/3%) of the acquisition cost of the equipment may be claimed as a contribution. Both of these calculations are for the full use of the facilities or equipment for a complete year. These amounts need to be adjusted for actual use on grant related activities for the grant period of performance.
 - ix) The grant recipient may also claim as a contribution normal operations and maintenance costs for facilities and equipment. These operation and maintenance costs might include facility utilities, insurance, janitorial services, fuel to operate heavy equipment, etc. These operations and maintenance costs need to be proportionately adjusted to represent only the time the facility or equipment was used in support of the grant and for a facility, only the area used for the Division's grant activities.
 - x) The use of facilities and equipment as a contribution to support the Division's grant must be documented. For equipment, the grant recipient must maintain documentation that clearly indicates the days and times in which the equipment was used for grant related activities. For facilities, the grant recipient should document the days, times, and what part of the facilities were used for grant related activities. A contribution can only be claimed for the portion of the facility that was used for grant activities.
- k) **Records Retention**
Documentation to support the amount of grant recipient contribution, including the calculation of how those amounts were determined or valued, is a part of the grant records and must be maintained in accordance with the record retention requirements specified in the Division's grant agreement.
- l) **Reporting**
- i. Grant recipients must provide the Division with periodic reports on the amount of contribution they have provided under a grant. The grant agreement will specify when the reports are to be submitted. The reports must be submitted in a format approved by the Division.

- ii. The full amount of the contribution specified in the grant agreement must be provided by the end of the grant's period of performance. The failure of the grant recipient to provide the full amount of the negotiated contribution may be considered an inability to fully meet the terms and conditions of the grant, which may be taken into consideration by the Division in the award of new grants.

5) Responsibilities

- a) The Division's grant recipients are responsible for:
 - i) Properly valuing any grant recipient contributions provided in support of the Division's grant;
 - ii) Maintaining appropriate documentation to support the valuation of the contribution made to the grant;
 - iii) Providing the amount of grant recipient contribution specified in the grant agreement; and,
 - iv) Reporting that amount in a timely manner to the Division.

- b) Division staff are responsible for:
 - i) Receiving and approving reports from grant recipients on the amount of their contribution provided in support of the Division's grant; and,
 - ii) Monitoring grant recipients to verify that contributions were properly valued and provided in accordance with the grant agreement.

EXAMPLES OF GRANT RECIPIENT CONTRIBUTION CALCULATIONS

Contributions from Personal Services

		Paid for Services			Not Paid for Services		
		Normal Working Hours	Not Normal Working Hours		Normal Working Hours	Not Normal Working Hours	
			FLSA Exempt	FLSA Eligible		FLSA Exempt	FLSA Eligible
Employee	Regular Duties	Cash or Leverage	Cash or Leverage	Pay OT ¹	In-kind	In-kind	Pay OT
	Other Duties	Cash or Leverage	Cash or Leverage	Cash or Leverage	In-kind	In-kind	In-kind
Non-Employee	Regular Duties	Cash or Leverage	Cash or Leverage	Cash or Leverage	In-kind	In-kind	In-kind
	Other Duties	Cash or Leverage	Cash or Leverage	Cash or Leverage	In-kind	In-kind	In-kind

¹ Over Time

EXAMPLES OF GRANT RECIPIENT CONTRIBUTION CALCULATIONS

Facility Contribution – Depreciation Method

Total Cost of Facility Construction	\$1,500,000
Estimated Useful Life of the Facility	30 years
Annual Depreciation Amount – Straight line (\$1,500,000 divided by 30 years)	\$50,000/yr
Monthly Depreciation Amount (\$50,000 per year divided by 12 months)	\$4,167/mo.
End Date of Facility Construction	February 2000
Depreciated Amount as of July 1, 2012 (12 years times 12 months is 144 months plus 4 months is 148 months times \$4,167 per month)	\$616,716
Depreciation Balance as of July 1, 2012 (\$1,500,000 less \$616,716)	\$883,284
Number of months of depreciations remaining (\$883,284 balance divided by \$4,167 per month)	212 mo.
Total Square Footage of Facility	20,000 sq. ft.
Monthly Depreciation Amount Per Square Foot (\$4,167 divided by 20,000 square feet total)	\$0.208/sq. ft.
Square footage used for the Division's Grant Activities	5,030 sq. ft.
Monthly Depreciation Amount for the Division's Grant Activities (\$0.208 per square foot times 5,030 square feet)	\$1,046/mo.
Number of months of the Division's grant period of performance	8 mo.
Total Facility Contribution (\$1,046 per month times 8 months)	\$8,368

Explanation: In this example, the grant recipient does not use an alternative depreciation method, so depreciation is calculated using the straight line method over a useful life of 30 years. This calculation determines that there is still a balance of depreciation remaining on the facility. The monthly depreciation amount is calculated for the entire facility and is then adjusted to reflect only the amount of the facility that is used for the Division's grant activities, or 5,030 square feet. The monthly depreciation amount for the Division's grant activities is applied to the number of months of the grant for the total contribution from the value of the facility.

EXAMPLES OF GRANT RECIPIENT CONTRIBUTION CALCULATIONS

Facility Contribution – Use Allowance Method

Total Cost of Facility Construction	\$2,300,000
Use Allowance per Year (2 percent times acquisition cost of \$2,300,000)	\$46,000/yr.
Monthly Use Allowance (\$46,000 per year divided by 12 months)	\$3,833/mo.
Total Square Footage of Facility	16,750 sq. ft.
Monthly Use Allowance per Square Foot (\$3,833 divided by 16,750 square feet)	\$0.229/sq. ft.
Square footage used for the Division's Grant Activities	1,370 sq. ft.
Monthly Use Allowance for the Division's Grant Activities (\$0.229 per square foot times 1,370 square feet)	\$314/mo.
Daily Use Allowance for the Division's Grant Activities (\$314 divided by 31 days in October 2012)	\$10.13/day
Number of days facility used for the Division's Grant Activities	21
Facility Use Allowance Contribution (21 days times \$10.13 per day)	\$212.73

Explanation: In this example, the use allowance Method is based upon 2 percent of the acquisition cost of the facility. This per year amount is converted to a monthly amount and then to a monthly amount per square foot. The amount of square footage used to support the Division's grant is multiplied by the monthly square footage amount. In this example, the facility is only used for 21 days of training, so the monthly amount is converted to a daily amount and multiplied by 21 days to determine the contribution amount, \$212.73.

EXAMPLES OF GRANT RECIPIENT CONTRIBUTION CALCULATIONS

Equipment Contribution – Depreciation Method

Total Acquisition Cost of Computer Network	\$35,000
Estimated Useful Life of Computer Network	3 years
Annual Depreciation – Straight line (\$35,000 divided by 3 years)	\$11,667/yr.
Monthly Depreciation (\$11,667 per year divided by 12 months)	\$972/mo.
Date Computer Network Acquired	December 2009
Start Date of the Division's Grant	October 2012
Total Number Months Depreciated at Start of Grant (January 2011 through September 2012)	33 months
Total Depreciation as of Start of the Division's Grant Activities (\$972 per month times 33 months)	\$32,076
Remaining Depreciation (\$35,000 less \$32,076)	\$2,924
Remaining Months Computer System can be depreciated (\$2,924 divided by \$972/mo)	3 mo.
The Division's Grant Period of Performance	October 2012 through May 2012
Percent of Computer Network Usage attributable to the Division's Grant Activities	35 percent
Monthly Depreciation attributable to the Division's Grant Activities (\$972 times 35 percent)	\$340/mo.
Monthly Depreciation related to the Division's grant times 3 months remaining to be depreciated is Equipment Contribution Allowed	\$1,020

Explanation: In this example, the grant recipient is using the value of a computer network and the depreciation method as a contribution. Equipment will generally have a much shorter expected useful life than facilities. For this example, the estimated life of the computer system is three years. Given the short life of the equipment, it is important to determine when the equipment will be fully depreciated. Once fully depreciated, the value of the asset cannot be claimed as a contribution to the grant. In this example, only three months remain before the computer system is fully depreciated, and only the proportionate share of the depreciation for those three months can be claimed as a contribution.

EXAMPLES OF GRANT RECIPIENT CONTRIBUTION CALCULATIONS

Equipment Contribution – Use Allocation Method

Acquisition cost of Scaffolding used by Training Center	\$20,000
Yearly Use Allowance at 6.67 percent of Cost	\$1,334/yr.
Monthly Use Allowance (\$1,334 divided by 12 months)	\$111/mo.
Number of months used for the Division's grant activities.	6 mo.
Total Use Allowance during time of the Division's grant (\$111 per month times 6 months)	\$666
Percent usage attributable to the Division's Grant Activities (40 grant participants divided by 50 total participants trained)	80 percent
Equipment Contribution on the Division's Grant (\$666 times 80 percent)	\$533

Explanation: As noted in this document, the use allowance method provides that equipment value can be calculated at 6 and 2/3 percent of the acquisition cost of the equipment. In this example, the annual use allowance of \$1,134 is converted to a monthly amount of \$111 per month. The number of months the equipment is used for the Division's grant is determined and the total use allowance during that time is calculated. This total use allowance is then adjusted for the percent of use attributable to the Division's grant. For example, if the grant recipient uses the scaffolding for 6 months to train 50 persons and only 40 are participants under the Division's grant, then the appropriate percentage associated with the Division's grant is 80 percent. The total use allowance is then adjusted by the percent of use attributable to the Division's grant activities to yield the value of the equipment contribution, \$533.

EXAMPLES OF GRANT RECIPIENT CONTRIBUTION CALCULATIONS

Facility Operations Cost Calculation

Facility Costs Per Month		
Electricity	\$375	
Heating	\$750	
Janitorial	\$125	
Total Monthly Facility Costs		\$1,250
Total Square Footage of Facility		20,500 sq. ft.
Monthly Facility Costs Per Square Foot (\$1,250 divided by 20,500 sq. ft.)		\$0.061
Square Footage Used by the Division's Grant Activity		14,075 sq. ft.
Facility Cost for the Division's Grant Activity Per Month (\$0.061 per sq. ft. times 14,075 sq. ft.)		\$859/mo.
Number of Months of the Division's Grant		7 mo.
Facility Operation Cost Contribution (\$859 grant cost per month times 7 months)		\$6,013

Explanation: In addition to the value of the facility or equipment being provided to support grant activities, a grant recipient may also claim as a contribution the costs associated with operating that facility or equipment for grant related activities. In this example, the grant recipient's facility has facility operating costs of electricity, heating and janitorial services. These monthly costs are converted to an average monthly cost per square foot. The grant recipient can only claim monthly operating costs for the portion of the facility used to support the Division's grant. The monthly operating cost associated with the Division's grant activities is multiplied by the number of months of the grant to yield the facility operations costs that can be claimed as a contribution, \$6,013.