

PROJECT COST SHARE AND IN-KIND CONTRIBUTION GUIDANCE

Cost share is an important part of NextFlex®, which is funded through a Cooperative Agreement with the United States Department of Defense. This guidance covers two types of cost share: cost share required by Institute membership tier obligations and cost share required by project awards. Cost share is required for all Institute-funded projects. Cost sharing or matching on project awards is defined as that portion of project or program costs not borne by the Federal Government.

NextFlex provides this guidance to assist its members in understanding how cost share works, including the various government regulations and defining terms. NextFlex, its members, and sub-recipients are subject to the federal regulations governing federally funded programs, noted in the following paragraphs.

The rules governing cost share for NextFlex are set forth and defined in 2 Code of Federal Regulations (C.F.R.) part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” as modified and supplemented by the Department of Defense’s (DoD) interim implementation found at 2 C.F.R. part 1103, “Interim Grants and Cooperative Agreements Implementation of Guidance in 2 C.F.R. part 200” (79 F.R. 76047, December 19, 2014). Provisions of Chapter I, Subchapter C of Title 32, C.F.R., “DoD Grant and Agreement Regulations,” other than parts 32 and 33, continue to be in effect and are incorporated herein by reference, with applicability as stated in those provisions. 2 C.F.R. 200 describes the cost principles for determining allowability of costs applicable to the relevant Development Agreement that shall be determined by the type of entity entering into such Development Agreement. Developers are at all times solely responsible for ensuring that their Cost Share complies with 2 C.F.R. 200. The terms developers and sub-recipients are synonymous. NextFlex is the recipient of government grant funds pursuant to its Cooperative Agreement with the Department of Defense. Developers receiving grant funds from NextFlex under a Development Agreement governing a project are sub-recipients of sub-awards under the Cooperative Agreement.

DoD Grant and Agreement regulations, as applicable, based on the type of organization providing the cost share, are as follows:

Regulation	Applicability
DoDGARs 32.23*	Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
DoDGARs 34.13*	Administrative Requirements for Grants and Agreements with For-Profit Organizations

**See Exhibit I*

TYPES OF COST SHARE

For cost share to be considered allowable, it must meet the following criteria from DoDGARs, Section 32.23(a):

- Are incurred or contributed during the sub-recipient's Institute-funded project period of performance, or the NextFlex Cooperative Agreement period of performance, as appropriate.
- Are verifiable from the sub-recipient's records.
- Are not included as contributions for any other federally-assisted project or program.
- Are necessary and reasonable for proper and efficient accomplishment of an Institute-funded project or NextFlex program objectives.
- Are allowable under the sub-recipient's applicable cost principles.
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- Are provided for in the sub-recipient's approved budget for Institute-funded projects.
- Are contributed through NextFlex membership participation efforts that are documented and have benefit to the NextFlex community.
- Conform to other provisions of DoDGARs, as applicable.

Cash and Cash Equivalent Cost Share

Any contribution of funds, or of services or materials for which the sub-recipient is required to pay cash and which would normally be authorized for reimbursement as a direct or indirect charge to the sub-award. Examples include paying labor (including benefits and direct overhead associated with that labor), acquiring materials, and in some cases the purchase of new equipment. To the extent feasible, volunteer services shall be supported by the same methods used to support the allocability of regular personnel costs. Overhead and General and Administrative costs for project participants are also sources of cash cost share. Only the additional resources or monies spent that will be provided to carry out the current project shall be counted. Independent Research and Development (IR&D) funds may also be used as cost share when provided in direct support of NextFlex. *Cash contributions cannot include profit or fee.* Cost share can also be contributed through NextFlex membership participation efforts that are documented and have benefit to the NextFlex community (e.g., labor and travel costs in support of participation in NextFlex Technical Council or Governing Council meetings).

In-Kind Cost Share

In-kind cost share may include labor, travel, materials, equipment or property and other elements of cost, as further defined in the table below. In-Kind Cost Share is defined as the reasonable value of such cost items, loaned/provided equipment, materials or other property used in the performance of NextFlex and the resulting Institute-funded project statement of work. In-kind contributions are sometimes hard to value (such as space or use of equipment and intellectual property). The in-kind value of equipment (including software) cannot exceed its fair market value and must be prorated according to the share of its total use dedicated to carrying out the project. Outreach activities and tech transfer activities can be considered allowable cost share if they are necessary and reasonable for the proper and efficient accomplishment of project or program objectives (i.e., contained in a Statement of Work). The in-kind value of space (including land or buildings) cannot exceed its fair rental value and must be prorated according to the share of its total use dedicated to carrying out the project. Intellectual Property value should primarily be determined commensurate to its fair market value.

Types of In-Kind Cost Share:

Labor	Services furnished by professional and technical personnel, consultants or other skilled and unskilled labor that are not charged direct to a NextFlex project or other Government program. The service is an integral and necessary part of an approved project, or to NextFlex. Labor rates for services shall be consistent with those paid for similar work in the labor market in which the sub-recipient competes for the kinds of services involved. Paid fringe benefits that are reasonable, allowable and allocable may be included in the valuation.
Travel	Travel taken and donated in support of an approved NextFlex project, program, or meeting may be included as cost share, provided that all costs are reasonable, allowable, and allocable under the sub-recipient's applicable cost guidelines and not charged direct to a NextFlex project or other Government program.
Materials	Donated supplies or materials may include laboratory supplies or workshop and classroom supplies, provided that all costs are reasonable, allowable, and allocable under the sub-recipient's applicable cost guidelines and not charged direct to a NextFlex project or other Government program.
Equipment	For support activities that require the use of equipment, buildings or land, normally only depreciation or use charges for equipment and buildings may be made. However, the full value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the charges are approved and an integral and necessary part of an approved project or the NextFlex program, provided that the equipment is not charged direct to a NextFlex project or other Government program. The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.
Indirect Costs	Unrecovered indirect costs may be included as cost share, provided that the costs are consistent with the sub-recipient's approved negotiated indirect cost rate, or other allowable rate such as the de minimis rate, and evidence of such is provided.

Cost Share Reporting and Documentation

Cost share reporting will be included on each quarterly sub-recipient invoice. Supporting documentation of all cost and cost share incurred must be maintained by the sub-recipient and provided to NextFlex. Supporting documentation must be available for audit by Government or NextFlex. An audit of cost share may be initiated at any time by the NextFlex or the federal funding agency.

Cash and Cash Equivalent Cost Share

Documentation will include evidence of all cash received from any contributor. This evidence may be in the form of a letter and a bank account statement displaying an electronic funds transfer from a cash contributor to the institute's bank account.

In-Kind Cost Share

In-kind contributions must be evidenced by written documentation that is signed by the contributor that describes the contribution, its value, and when and for what purpose it was donated. The sub-recipient must provide an acknowledgement of the contribution. The sub-recipient must have documented evidence of the in-kind contribution from the contributor that contains:

- The value of each in-kind contribution established in accordance with the applicable cost principles
- The valuation and allocation methods used by the sub-recipient for purposes allocating in-kind contributions
- A list of the type of in-kind contribution

Quarterly Cost Share Reports

Reporting must be completed quarterly, on standard reporting templates to be provided by NextFlex.

Quarterly Financial Status Reports

Sub-recipients shall submit Financial Status Reports to NextFlex quarterly using standard reporting templates provided by NextFlex. In addition to the Quarterly Cost Share Reports, this may include Standard Form 425. Sub-recipient must maintain such books, records, documents and other supporting data to verify the in-kind contributions from the sub-recipient for 3 years from the date of the final payment by the Institute to the sub-recipient. Quarterly reports are due 60 days after the end of each calendar quarter (March 31, June 30, September 30, December 31). A fillable version of the Standard Form 425 is available at: http://www.whitehouse.gov/sites/default/files/omb/assets/grants_forms/SF-425.pdf, and a hard copy is attached as *Exhibit II* to this document.

Compliance

Sub-recipients that do not comply with cost share requirements may be subject to payment garnishment commensurate with their cost share deficit. For instance, if a sub-recipient's cost share requirement is 1:1 and their current invoice reflects a cumulative total of \$10,000 federal funds incurred, their cumulative cost share contribution must meet or exceed \$10,000. Cost share contributions in excess of the ratio required by the member's sub-award are not grounds for additional payment using federal funds. Members will only be reimbursed for actual costs incurred, provided the sub-award's funded amount has not been exceeded and cost share requirements have been met.

Achievement of Cost Share Goals

Cost Share Ratio

A specific cost share ratio is established during sub-award negotiations and is included in the sub-award. The cost share ratio must be maintained throughout the life of each Institute-funded project, as well as the overall NextFlex program. For a project with a 1:1 cost share ratio, for example: a sub-awardee provided \$250,000 in Institute-funded project funds would be required to contribute \$250,000 in cost share, for a total project amount of \$500,000.

Cost Share Percentage

The cost share percentage to be contributed by the sub-recipient is calculated by dividing the cost share dollars by the total agreement ceiling (i.e., Institute-funded project funds + cost share or federal funds + non-federal funds). Significant deviations from the cost share ratio must be approved by the NextFlex Executive Director. Both the cost share ratio and specific cost share dollar amount are detailed in the sub-award.

Sub-Award Modifications

When a modification to a sub-award incorporates additional scope or provides additional Government funds, the status of cost share should be evaluated to ensure that the project cost share ratio contained in the sub-award remains appropriate. If the amount of Government funds deviates from the original total, either by adding or de-obligating Government funds, the cost share dollar amount must be adjusted by sub-award modification to ensure the original cost share ratio is maintained.

Cost Share FAQs

Q: What can count as cost share?

A: Any work on an Institute-funded project that is not reimbursed by the Government can be counted as cost share, provided it meets the requirements noted in this guidance document. Also, participation in a NextFlex-sponsored event (e.g., quarterly meetings, program review, Governing Council meetings, Technical Council meetings, etc.) can be counted as cost share, provided those costs have not already been reimbursed by the Government. Other cost share brought to NextFlex to further its mission and for the benefit of its members will be reviewed and evaluated on a case-by-case basis to determine value and allowability.

Q: Can any cost share incurred be counted toward membership dues and obligations?

A: No, cost share contributions do not count toward NextFlex membership dues. Membership contribution requirements may be met by payment of cash membership dues and in-kind donations. Cost Share pertains to projects performed by members.

Q: Can I contribute cost share before becoming a member?

A: No, cost share must run concurrent to the Institute-funded project period of performance denoted in a member's NextFlex sub-award, or the NextFlex program when appropriate.

Q: How and when should I report project cost share?

A: Reporting should be completed quarterly and should accompany invoices for payment under a member's sub-award. Additionally, members may be required to submit a Standard Form 425 (Financial Status Report) on a quarterly basis.

Q: If I have not incurred any cost share do I still need to file a report?

A: Yes, quarterly reports should be submitted, even if no cost share was incurred or contributed.

Q: Does a member have to submit supporting documentation when filing a project cost share form?

A: Yes, supporting documentation is required with submission of quarterly project cost share reports. Additionally, the member reporting the cost share must keep all documents for audit purposes.

Q: How is a member's cost share tracked at NextFlex?

A: All cost share is recorded and tracked by NextFlex specific to each NextFlex contributing member. Quarterly invoices will be reconciled with the quarterly Standard Form 425.

Q: How does a member track project cost share for sub-awardees?

A: Each sub-recipient is responsible for tracking Institute-funded project cost share for their 2nd tier sub-awardees (sub-sub recipients). All 2nd tier sub-awardee cost share must be incorporated in the NextFlex Member company's quarterly cost share reporting.

EXHIBIT I

Applicable DoDGARs Cost Share Guidelines

The following guidelines from the Department of Defense Grant and Agreement Regulations (DoDGARs) are provided for your convenience.

Part 32.23 - Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

For the most up to date version of this guidance, please visit: <http://www.ecfr.gov/cgi-bin/text-idx?SID=1d84f3500dcab45aa46549c8e262370a&node=32:1.1.1.3.19.3.6.4&rgn=div8>

§ 32.23 Cost sharing or matching.

1. All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:
 - a. Are verifiable from the recipient's records.
 - b. Are not included as contributions for any other federally-assisted project or program.
 - c. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
 - d. Are allowable under the applicable cost principles.
 - e. Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
 - f. Are provided for in the approved budget when required by the DoD Component.
 - g. Conform to other provisions of this part, as applicable.
2. Unrecovered indirect costs (see definition in §32.2) may be included as part of cost sharing or matching.
3. Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles. If a DoD Component authorizes recipients to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching shall be the lesser of:
 - a. The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation; or
 - b. The current fair market value. However, when there is sufficient justification the DoD Component may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project. The DoD Component may accept the use of any reasonable basis for determining the fair market value of the property.
4. Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent

with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.

5. When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.
6. Donated supplies may include such items as office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.
7. The method used for determining cost sharing or matching for donated equipment, buildings and land for which title passes to the recipient may differ according to the purpose of the award, if the purpose of the award is to:
 - a. Assist the recipient in the acquisition of equipment, buildings or land, the total value of the donated property may be claimed as cost sharing or matching; or
 - b. Support activities that require the use of equipment, buildings or land, normally only depreciation or use charges for equipment and buildings may be made. However, the full value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the DoD Component has approved the charges.
8. The value of donated property shall be determined in accordance with the usual accounting policies of the recipient, with the following qualifications.
 - a. The value of donated land and buildings shall not exceed its fair market value at the time of donation to the recipient as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient.
 - b. The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.
 - c. The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
 - d. The value of loaned equipment shall not exceed its fair rental value.
9. The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties:
 - a. Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.
 - b. The basis for determining the valuation for personal service and property shall be documented.

Part 34.13 - Administrative Requirements for Grants and Agreements with For-Profit Organizations

For the most up to date version of this guidance please visit: <http://www.ecfr.gov/cgi-bin/text-idx?SID=1d84f3500dcab45aa46549c8e262370a&node=32:1.1.1.3.21.2.17.4&rgn=div8>

§ 34.13 Cost sharing or matching.

1. Acceptable contributions. All contributions, including cash contributions and third party in-kind contributions, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

- a. They are verifiable from the recipient's records.
 - b. They are not included as contributions for any other federally-assisted project or program.
 - c. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
 - d. They are allowable under §34.17.
 - e. They are not paid by the Federal Government under another award, except:
 - i. Costs that are authorized by Federal statute to be used for cost sharing or matching; or
 - ii. Independent research and development (IR&D) costs. In accordance with the for-profit cost principle in 48 CFR 31.205-18(e), use of IR&D as cost sharing is permitted, whether or not the Government decides at a later date to reimburse any of the IR&D as allowable indirect costs. In such cases, the IR&D must meet all of the criteria in paragraphs (a) (1) through (4) and (a) (6) through (8) of this section.
 - f. They are provided for in the approved budget, when approval of the budget is required by the DoD Component.
 - g. If they are real property or equipment, whether purchased with recipient's funds or donated by third parties, they must have the grants officer's prior approval if the contributions' value is to exceed depreciation or use charges during the project period (paragraphs (b)(1) and (b)(4)(ii) of this section discuss the limited circumstances under which a grants officer may approve higher values).
 - h. If a DoD Component requires approval of a recipient's budget (see paragraph (a)(6) of this section), the grants officer's approval of the budget satisfies this prior approval requirement, for real property or equipment items listed in the budget.
 - i. They conform to other provisions of this part, as applicable.
2. Valuing and documenting contributions:
- a. Valuing recipient's property or services of recipient's employees. Values shall be established in accordance with the applicable cost principles in §34.17, which means that amounts chargeable to the project are determined on the basis of costs incurred. For real property or equipment used on the project, the cost principles authorize depreciation or use charges. The full value of the item may be applied when the item will be consumed in the performance of the award or fully depreciated by the end of the award. In cases where the full value of a donated capital asset is to be applied as cost sharing or matching, that full value shall be the lesser of the following:
 - i. The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation; or
 - ii. The current fair market value. However, when there is sufficient justification, the grants officer may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project. The grants officer may accept the use of any reasonable basis for determining the fair market value of the property.
 - b. Valuing services of others' employees. When an employer other than the recipient furnishes the services of an employee, those services shall be valued at the employee's regular rate of pay plus an amount of fringe benefits and overhead (at an overhead rate appropriate for the location where the services are performed) provided these services are in the same skill for which the employee is normally paid.

- c. Valuing volunteer services. Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- d. Valuing property donated by third parties.
 - i. Donated supplies may include such items as office supplies or laboratory supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.
 - ii. Normally only depreciation or use charges for equipment and buildings may be applied. However, the fair rental charges for land and the full value of equipment or other capital assets
 - iii. may be allowed, when they will be consumed in the performance of the award or fully depreciated by the end of the award, provided that the grants officer has approved the charges.
 - iv. When use charges are applied, values shall be determined in accordance with the usual accounting policies of the recipient, with the following qualifications:
 - 1. The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately- owned building in the same locality.
 - 2. The value of loaned equipment shall not exceed its fair rental value.
- e. Documentation. The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties:
 - i. Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.
 - ii. The basis for determining the valuation for personal services and property shall be documented.

EXHIBIT II
Standard Form 425

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element	2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)	Page 1	Of	___ Pages
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3. Recipient Organization (Name and complete address including ZIP code)

4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)	6. Report Type <input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final	7. Basis of Accounting <input type="checkbox"/> Cash <input type="checkbox"/> Accrual
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8. Project/Grant Period From: (Month, Day, Year)	To: (Month, Day, Year)	9. Reporting Period End Date (Month/Day/Year)
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10. **Transactions** Cumulative

(Use lines a-c for single or multiple grant reporting)

Federal Cash (To report multiple grants, also use FFR Attachment):	
a. Cash Receipts	
b. Cash Disbursements	
c. Cash on Hand (line a minus b)	

(Use lines d-o for single grant reporting)

Federal Expenditures and Unobligated Balance:	
d. Total Federal Funds Authorized	
e. Federal Share of Expenditures	
f. Federal Share of Unliquidated Obligations	
g. Total Federal Share (sum of lines e and f)	
h. Unobligated Balance of Federal Funds (line d minus g)	

Recipient Share:	
i. Total Recipient Share Required	
j. Recipient Share of Expenditures	
k. Remaining Recipient Share to Be Provided (line i minus j)	

Program Income:	
l. Total Federal Program Income Earned	
m. Program Income Expended in Accordance with the Deduction Alternative	
n. Program Income Expended in Accordance with the Addition Alternative	
o. Unexpended Program Income (line l minus line m or line n)	

11. Indirect Expense	a. Type	b. Rate	c. Period From	d. Period To	e. Base	f. Amount Charged	g. Federal Share
				h. Totals:			

12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:

13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)

a. Typed or Printed Name and Title of Authorized Certifying Official	b. Telephone (Area code, number and extension):
	c. Email Address:
d. Signature of Authorized Certifying Official	e. Date Report Submitted (Month, Day, Year):



