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| PURPOSE | Provides Guidance on  * What unrecovered F&A costs are * Why ASU uses unrecovered F&A as cost sharing * When unrecovered costs may be allowable * How to calculate unrecovered F&A |

## Definition: unrecovered F&A

The difference between the amount awarded and the amount which could have been awarded under the recipient’s approved negotiated facilities and administrative cost rate.

In other words, when the sponsor limits the amount of F&A on a proposed project, the **unrecovered F&A** is the difference between the amount of F&A the sponsor will pay for and what ASU would normally charge using our negotiated rates.

Why would ASU want to use unrecovered F&A as cost sharing?

* **Overhead costs are real**. When a portion of F&A is not reimbursed by the sponsor, the costs included in F&A are paid for with ASU funds. Therefore, ASU is clearly contributing funds to the project.
* **Less Documentation Burden**. Unrecovered F&A is one of the easiest forms of cost sharing to document.
* **Less Risk**. The more F&A included in the match the better—it decreases the amount of direct costs that will need to be included as cost sharing, thereby reducing risk to the University.

When is it allowable to include unrecovered F&A as cost sharing?

Read the sponsor guidelines & the Funding Opportunity Announcement (FOA) carefully to determine whether cost sharing unrecovered F&A is allowable. Unless the sponsor has stated otherwise, ASU includes Unrecovered F&A in the proposed cost sharing budget.

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| Examples of Sponsor Verbiage | | |
| Allowable | Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity's approved negotiated indirect cost rate. (Uniform guidance [Subpart D §200.306](https://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1&rgn=div5#se2.1.200_1306) ) | …in-kind support from non-Federal sources in the form of unrecovered indirect costs may be used to meet the matching requirements… (USDA [Matching Funds FAQ](http://www.csrees.usda.gov/funding/scri/scri_matching_funds_FAQ.pdf)) |
| Unallowable | Indirect costs that are unrecovered as a result of these restrictions may not be charged directly, used to satisfy matching or cost-sharing requirements, or charged to another Federal award. ([EDGAR](http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.pdf) § 76.564 Restricted indirect cost rate—formula.) | …Unrecovered indirect costs cannot be counted as match. Thus, if a grantee has a negotiated indirect cost rate of 40 percent, the grantee may use no more than eight percent indirect cost as match, and may not claim any of the unrecovered indirect costs based on the 40 percent indirect cost rate as a matching contribution. (Teacher Quality Enhancement Grants; [Matching and Cost-Sharing Requirements for State, Partnership, and Recruitment Grants](http://www2.ed.gov/programs/heatqp/matching.html#4)) |

The Cost Sharing Allocations SmartForm will automatically calculate unrecovered F&A on the cost sharing and sponsor budget. However, RAs can also manually calculate Unrecovered F&A if they choose. Below are the steps to manually calculate Unrecovered F&A.

How is Unrecovered F&A Calculated?

To illustrate the process, suppose a sponsor limits the F&A to 10% of Total Direct Costs (TDC) for an Organized Research project and the proposal budget is as follows:

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| --- | --- |
| Grad Student Salary and ERE | $15,000 |
| Tuition | $3,000 |
| Total Direct Costs | $18,000 |

Using the guidance below, unrecovered F&A would be calculated as follows:

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| --- | --- | --- |
| Step by Step Guide to Calculate Unrecovered F&A | Illustration | |
| 1. Calculate F&A on the sponsor’s direct cost, using the appropriate negotiated Modified Total Direct Costs (MTDC) rate and base. | MTDC X F&A Rate =  **Total F&A** | $15,000 X 52.5% = **$7,875** |
| 2. Calculate F&A on the sponsor’s total direct costs (TDC), using the rate and base allowed by the sponsor | TDC X Limited F&A Rate = **Recovered F&A** | $18,000 X 10% =  **$1,800** |
| 3. Subtract 2 from 1. This is the amount of Unrecovered F&A that can be included in the cost sharing budget, except see 4 below. | Total F&A – Recovered F&A = **Unrecovered F&A** | $7,875 - $ 1,800 = **$6,075** |

**How should unrecovered F&A appear in the cost sharing budget?**

When cost sharing (CS) unrecovered F&A, the CS budget could include up to three different F&A lines:

1. **Limited F&A on CS Direct Costs:** F&A calculated on the direct costs in the cost sharing budget, using the rate and base allowed by the sponsor.
2. **Unrecovered F&A on CS Direct Costs:** The difference between F&A calculated at ASU’s full rate and the Limited F&A on CS Direct Costs.
3. **Unrecovered F&A on Sponsor Funded Direct Costs:** Unrecovered F&A (as defined at the beginning of this job aid).

**Illustration:** Cost Sharing Budget with all 3 F&A Lines:

**Sponsor Budget:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Formula/Notes | Amount | |
| GRA Salary and ERE |  | $15,000 |  |
| Tuition |  | $3,000 |  |
| *MTDC* | *excludes tuition* | $15,000 |  |
| Total Direct Costs (TDC) | *GRA Salary and ERE + Tuition*  *$15,000 + $3,000=* |  | $18,000 |
| F&A @ 10% TDC (Recovered F&A) | *TDC x 10%*  *$18,000 x 10%=* |  | $1,800 |
| Total Sponsor Funded Amount | *TDC + Recovered F&A*  *$18,000 + $1,800=* | | $19,800 |

**Cost Sharing Budget:**

|  |  |  |  |
| --- | --- | --- | --- |
| Lab Materials/Supplies |  | $7,957 |  |
| Participant Support |  | $1,591 |  |
| *MTDC* | *excludes participant support* | *$7,957* |  |
| Total Direct Costs (TDC) | *Lab Materials/Supplies + Participant Support*  *$7,957 + $1,591=* |  | $9,548 |
| Limited F&A on CS Direct Costs- (10% TDC) | *TDC x 10%*  *$9,548 x 10%=* | $955 |  |
| Unrecovered F&A on CS Direct Costs | *(MTDC x 52.5%) - Limited F&A on CS Direct Costs*  *($7,957 x 52.5%) - $955=* | $3,222 |  |
| Unrecovered F&A on Sponsor Funded Direct Costs | *Using figures from the Sponsor Budget:*  *(MTDC x 52.5%) - Recovered F&A*  *($15,000 x 52.5%) - $1,800=* | $6,075 |  |
| Total F&A | Limited F&A on CS Direct Costs  + Unrecovered F&A on CS Direct Costs  + Unrecovered F&A on Sponsor Funded Direct Costs  $955 + $3,222 + $6,075= |  | $10,252 |
| Cost Sharing Total | *TDC + Total F&A*  *$9,548 + $10,252=* | | $19,800 |