



Cash vs In-Kind Contribution & Direct vs Indirect Cost

MDT Transit Program



MONTANA

Department of Transportation

In-Kind Contribution

- 1) 2 CFR 200.1 Definitions.
 - **Third-party** in-kind contributions means the value of non-cash contributions (*i.e.*, property or services) that—
 - (1) Benefit a federally-assisted project or program; and
 - (2) Are contributed by non-Federal third parties, without charge, to a non-Federal entity under a Federal award.
- 2) FTA Circular 9040.1G, Ch. III, Section 4(h) *(pg. 44 of 11/24/14 version)*

“The net project cost must include the value of any in-kind contributions included in net project cost ***to the extent it is used as local match.***”
- 3) FTA Circular 9040.1G, Ch. VIII, Section 5(f) *(pg. 84 of 11/24/14 version)*

“If there is excess in-kind match available from the net project costs... it ***cannot be used to increase the federal share above the actual operating deficit of the project.***”

In-Kind Contribution

Take Away:

- 1) Cash vs In-Kind Contribution is dependent on who paid the cost.
 - ***Your Financial Organization*** = Cash Contribution (Direct Cost column in BlackCat) – *Reimbursable*
 - ***Third-Party*** = In-Kind Contribution – *Non-Reimbursable*
- 2) Total local share/match (orange) must be greater than or equal to the net in-kind contribution (yellow).



$$\text{Local Share} \geq \text{Net In-Kind}$$

- 3) The federal share/reimbursement (green) must be less than or equal to the net deficit (blue).

$$\text{Federal Share} \leq \text{Net Deficit}$$



In-Kind Contribution

Example 1: This example is GOOD because it meets both logics.

- 1) Local Share \geq Net In-Kind 
- 2) Federal Share \leq Net Deficit 

	Direct Cost (Cash Contribution)	In-Kind Contribution	Total Contribution	
Total Operating Expenses	224,678.74	50,000.00	274,678.74	
Total Amount of Fares/Donations	75,000.00	0.00	75,000.00	
Net Operating Deficit	149,678.74	50,000.00	199,678.74	
Eligible Operating Reimbursement at 54.11%			80,991.16	Federal
Local Share at 45.89%			68,687.58	Local

Example 2: This example is BAD because it doesn't meet both logics.

- 1) Local Share $<$ Net In-Kind 
- 2) Federal Share $>$ Net Deficit 

	Direct Cost (Cash Contribution)	In-Kind Contribution	Total Contribution	
Total Operating Expenses	224,678.74	127,000.00	351,678.74	
Total Amount of Fares/Donations	75,000.00	0.00	75,000.00	
Net Operating Deficit	149,678.74	127,000.00	276,678.74	
Eligible Operating Reimbursement at 54.11%			149,710.86	Federal
Local Share at 45.89%			126,967.88	Local

In-Kind Contribution

Pop Quiz: Is this GOOD or BAD example?

	Direct Cost (Cash Contribution)	In-Kind Contribution	Total Contribution	
Total Administrative Expenses	175,000.00	43,751.00	218,751.00	
Net Administrative Deficit	175,000.00	43,751.00	218,751.00	
Eligible Admin Reimbursement at 80.00%			175,000.80	Federal
Local Share at 20.00%			43,750.20	Local

Hint: The logic to use is:

Local Share \geq Net In-Kind

Federal Share \leq Net Deficit

In-Kind Contribution

Pop Quiz: Is this GOOD or BAD example?

	Direct Cost (Cash Contribution)	In-Kind Contribution	Total Contribution	
Total Administrative Expenses	175,000.00	43,751.00	218,751.00	
Net Administrative Deficit	175,000.00	43,751.00	218,751.00	
Eligible Admin Reimbursement at 80.00%			175,000.80	Federal
Local Share at 20.00%			43,750.20	Local

Hint: The logic to use is:

Local Share \geq Net In-Kind

Federal Share \leq Net Deficit

Answer: BAD because it doesn't meet both logics.

1) Local Share $<$ Net In-Kind ❌

2) Federal Share $>$ Net Deficit ❌

In-Kind Contribution

How do you find out the max in-kind contribution that you can apply based on only your Direct Net Deficit?

	Direct Cost (Cash Contribution)	In-Kind Contribution	Total Contribution	
Total Administrative Expenses	175,000.00	X.XX	X.XX	
Net Administrative Deficit	175,000.00	X.XX	X.XX	
Eligible Admin Reimbursement at 80.00%			X.XX	Federal
Local Share at 20.00%			X.XX	Local

=ROUNDDOWN('Direct Net Deficit' / 'Federal Share %' * 'Local Share %',2)

=ROUNDDOWN(175,000/. 8*.2,2)

=43,750.00 ●

	Direct Cost (Cash Contribution)	In-Kind Contribution	Total Contribution	
Total Administrative Expenses	175,000.00	43,750.00	218,750.00	
Net Administrative Deficit	175,000.00	43,750.00	218,750.00	
Eligible Admin Reimbursement at 80.00%			175,000.00	Federal
Local Share at 20.00%			43,750.00	Local

Direct Cost vs Indirect Cost

1) 2 CFR 200.413 *Direct costs*.

- "... costs that can be identified specifically with a particular final cost objective... or that can be *directly assigned to such activities relatively easily with a high degree of accuracy.*"

2) *Indirect Cost (IDC)* are costs that cannot easily with a high degree of accuracy be traced to cost objectives.

3) 2 CFR 200.412 Classification of costs.

- "... it is essential that each item of cost incurred for the same purpose be *treated consistently in like circumstances* either as a direct or an indirect (F&A) cost in order *to avoid possible double-charging* of Federal awards."

Direct Cost vs Indirect Cost

- 4) 2 CFR 200.414 Indirect (F&A) costs.
 - "... may elect to charge a ***de minimis rate of 10%*** of modified total direct costs (MTDC) which may be used ***indefinitely***. ***No documentation is required to justify*** the 10% de minimis indirect cost rate."
- 5) 2 CFR 200 Appendices III-VII and IX provides the requirements for development and submission of the IDC rates for ***negotiated IDC rates***.
 - Must begin with the application submission.

Cash & In-Kind Contribution

2 CFR 200.306(b)

All contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

- **Verifiable** from subrecipient's records;
- Not included as contributions for any other Federal award;
- **Necessary** and **reasonable** for proper and efficient accomplishment of project or program objectives;
- **Allowable** under 2 CFR 200 Subpart E and all other applicable cost principles;
- Not paid by the Federal Government under another Federal award, except where authorized by the Federal statute;
- Provided for in the approved budget when required by the Federal awarding agency; and
- Conform to other provisions of 2 CFR 200.

Cash & In-Kind Contribution

You must be able to prove *allowability* of the contribution regardless of *Cash* or *In-Kind Contribution*.

Allowability

To meet federal standards for allowability, a cost charged to an award must be:

- Allocable to the award under the provisions of the applicable cost principles;
- Necessary and reasonable for proper and efficient performance of the award;
- Treated consistently as a direct or indirect cost
- Determined in accordance with generally accepted accounting principles (GAAP), except as otherwise stipulated in the applicable cost principles
- Net of all applicable credits
- Not included as cost or used to meet the cost-sharing or matching requirements of another federal award, unless specifically permitted by federal statute
- Adequately documented
- Authorized or not prohibited under state or local laws and regulations
- In conformance with limits or exclusions on types or amounts of costs
- Consistent with the subrecipient's policies, regulations, and procedures that apply to both federal awards and other activities of the subrecipient
- Incurred during the approved budget period

Resources

- BlackCat > Resources > Global Resources
 - In-Kind Reimbursement Request Template (9/6/23 Version)
- eCFR :: 2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - < <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200> >
- Formula Grants for Rural Areas: Program Guidance and Application Instructions | FTA (dot.gov)
 - < <https://www.transit.dot.gov/regulations-and-guidance/fta-circulars/formula-grants-rural-areas-program-guidance-and-application> >
- Award Management Requirements Circular (5010.1E) | FTA (dot.gov)
 - < <https://www.transit.dot.gov/regulations-and-guidance/fta-circulars/award-management-requirements-circular-50101e> >