

Catalyst Academy Charter School

Allowability of Cost Policy

Catalyst Academy Charter School (“Catalyst”) shall adhere to all applicable cost principles governing the use of federal and non-federal grants and contracts. This policy addresses the importance of properly classifying costs, both direct and indirect, charged to grant funded projects and that proposed and actual expenditures are consistent with the grant agreement and all applicable federal rules embodied in the Uniform Grant Guidance at 2 CFR 200 (UGG). Catalyst personnel who are responsible for administering, expending or monitoring grant funded programs should be well versed with the categories of costs that are generally allowable and unallowable.

A large portion of financial support for Catalyst comes from the federal government. This funding is in the form of direct support for Catalyst programs and often includes reimbursement for indirect costs. The federal Uniform Grant Guidance identifies the criteria that must be met in order to properly charge these costs to federally funded projects. Individual non-federal awards may also include special terms and conditions that must be met before costs can be charged or reimbursed, which must also be considered before allocating certain costs to the award.

All costs expended using federal funds must meet the following general criteria laid forth in the UGG at 2 CFR 200, Subpart E:

- Be **necessary and reasonable** for the proper and efficient performance and administration of the grant program.
- Be **allocable** to federal awards under the provisions of the federal circular.
- Be authorized and not prohibited under state or local laws or regulations.
- Conform to any limitations or exclusions set forth in the principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of Catalyst.
- Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost and also be charged to a federal award as an indirect cost.
- Except as otherwise provided for in the federal circular, be determined in accordance with generally accepted accounting principles.
- Not included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period.
- Be net of all applicable credits.
- Be adequately documented.

The cost guidelines of the UGG must be considered any time federal award funds are to be expended. Catalyst may apply federal UGG requirements to non-federal projects as well.

Federal regulations also require that any other Catalyst policies related to specific types of expenditures must also be followed, for example student incentives, travel, meals or equipment.

Direct and indirect costs

Allowable and allocable costs must be appropriately classified as direct or indirect. In general, direct costs are those that can be identified specifically with a particular cost objective while indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. It is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

If an indirect cost rate is going to be utilized for charging indirect rates, the rate must first be approved by the applicable approving authority.

Cost transfers

Any costs charged to a federal or non-federal award that do not meet the allowable cost criteria must be removed from the award account and charged to an account that does not require adherence to federal UGG or other applicable guidelines. Cost transfers must be performed in accordance with sound business practices.

Failure to adequately follow this policy and related procedures could result in questioned costs, audit findings, potential repayment of disallowed costs and discontinuance of funding. Catalyst personnel and any other individuals responsible for expending grant funds are held responsible for compliance with UGG and must understand that severe penalties and funding disallowances could result from instances of non-compliance.

The Controller is responsible for creating, encumbering, and purchasing documents using grant funds at the request of Catalyst personnel. They should be familiar with the general cost principals embodied in the federal UGG and summarized above, and the cost principles applicable to the specific program funds they expend. Personnel must notify the Controller if they recognize a request is for an unallowable cost.

The Controller must ensure that any costs charged to their award are aligned with applicable cost principles, are computed correctly, and would not create a compliance violation.

The Controller should collect, maintain and where applicable, submit copies of adequate documentation to support the expenditures.

The CEO, accountant, and Board Treasurer, will monitor, review, and approve (or disapprove) grant funded personnel plans and requests. In addition, the CEO will monitor, review, and approve (or disapprove) requests and resolutions proposed to the Business Office. Finally, the CEO will rule on compliance issues brought to them by Catalyst personnel.

Adopted the 7th day of July, 2020