

# CPB GUIDELINES FOR INDIRECT COSTS

## PURPOSE

CPB makes grants to various organizations to underwrite the costs of projects associated with public media. These costs may include direct costs and indirect costs<sup>1</sup>. If the grantee chooses not to include indirect costs, these guidelines are not applicable.

Recovery of indirect costs from CPB funding is not an entitlement. As part of the grant proposal and review process, CPB and prospective grant recipients may agree on a budget line for indirect costs in a grant agreement. If CPB agrees to support indirect costs in a particular grant, the amount of those costs charged against a grant is limited to the amount specified in the agreement. These must be the organization's actual indirect costs and the amount charged must be supported by solid accounting practices. Specific costs may not be included in both the direct costs of a project and the indirect cost pool. Grantees must employ methodologies that result in costs being paid by CPB only once.

These Guidelines are intended to provide prospective recipients of CPB funding with methods for calculating indirect costs. Each cost that is included in the indirect rate calculations must have a general nexus to the overall support of the grant activities funded.

Regardless of the methodology and calculation used, CPB grants are made on a cost reimbursement basis for costs that have been budgeted and actually incurred. All costs, including indirect cost calculations, must be supported with auditable documentation. The inclusion of an amount in a grant agreement for indirect costs does not mean that a grantee is entitled to charge that amount to the grant. The grant recipient may only charge its actual indirect expenses up to the amount included in the budget line (except as provided under Method 1).

CPB reserves the right to adjust these guidelines periodically as it deems appropriate.

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<sup>1</sup> Indirect costs are those costs which are necessary for the general operation of an organization and that are not readily identifiable with a particular project; such costs are normally spread across multiple projects using an indirect cost rate. For example, rent (or occupancy costs), legal, accounting, personnel administration, insurance, or maintenance are often considered indirect costs. Note that a particular cost cannot be counted twice: it must be defined as either direct or indirect, and may not be both.

## **GUIDELINES**

### **Terminology**

All terms used in this document such as direct costs, indirect costs and cost pools are defined in accordance with OMB Circulars A-122 (Cost Principles for Non-Profit Organizations), A-21 (Cost Principles for Educational Institutions) or A-87 (Cost Principles for State, Local and Indian Tribal Governments) except as noted in Attachment A. For the rest of this document, all references to OMB Circular A-122 shall be deemed to include Circulars A-21 and A-87.

Hereafter, "Agreement" shall refer to a grant agreement between CPB and a grantee.

### **Indirect Cost Rates**

CPB will accept any of the following three methods for calculating indirect cost rates. CPB may require that the actual rate included in the Agreement may be less than the calculated amount based on equitable or reasonable considerations including funding limitations.

#### ***Method 1. Use the organization's Federal Indirect Cost Rate in accordance with OMB Circular A-122.***

Regardless of the cognizant agency, this Federal Indirect Cost Rate ("FICR") must be the current active rate (whether provisional or final) applied by that agency as of the time the Agreement is executed. Documentation of the approved FICR will be required.

If the FICR decreases during the term of the Agreement, the grantee may only be reimbursed at the lower rate. If the FICR increases during the term of the Agreement, the grantee may be reimbursed at the higher rate only if there are available grant funds to cover such increase and the reallocation of funds is within the limits as specified in CPB's Terms and Conditions for Television, Radio, and Other Media Production Grants incorporated in the Agreement.

This method must be used for the federal funds portion and ordinarily used for the CPB funds portion of any CPB grant that is subject to OMB Circular A-133 (*Audit of States, Local Governments and Non-Profit Organizations*) audit requirements.

#### ***Method 2. Use the organization's most recent provisional or final Federal Indirect Cost Rate, in accordance with OMB Circular A-122, at the time the Agreement with CPB is negotiated and maintains that rate for the duration of the grant agreement.***

Regardless of the cognizant agency, the FICR must be the current active rate (whether provisional or final) applied by that agency as of the time the Agreement is executed. Documentation of the approved FICR will be required.

The FICR in effect at the time that the Agreement is signed applies for the full term of the Agreement. This method **may not** be used for the federal funds portion of any CPB grant that is subject to OMB Circular A-133 (*Audit of States, Local Governments and Non-Profit Organizations*) audit requirements.

The allocation of costs set forth on Attachment A does not apply to Methods 1 or 2.

***Method 3. Use the CPB Treatment to calculate an indirect cost rate (“CPB Rate”). This calculation must be based upon the organization’s most recent annual financial statements reviewed by a public accounting firm pursuant to an annual or bi-annual audit. If the organization does not commission an annual or bi-annual audit, the calculations must be based on the organization’s most recent unaudited annual financial statements which the organization must certify have been prepared according to GAAP and which are subject to audit by CPB. “Most recent” means the latest annual financial reporting period at the time when the grant is awarded.***

Under Method 3, the following apply:

- a. The allocation of costs as direct or indirect and the inclusion or exclusion of types of costs in calculating the CPB Rate must be made in accordance with Attachment A – CPB Treatment. The Treatment reflects CPB’s understanding that there are indirect costs in addition to those allowed under the Federal methodology which organizations incur in carrying out public media projects and that allowing the inclusion of these costs supports the public broadcasting mission.
- b. The detailed expense accounts that comprise the cost pools of the CPB Rate calculation, as well as the direct cost accounts that comprise the allocation base, must be directly traceable to general ledger accounts that reconcile to the organization’s financial statements described in paragraph (a) above. The departments, activities, projects, specific expenses and any adjustments needed to arrive at each cost pool must be fully documented at the time the grant is negotiated.
- c. The CPB Rate in effect at the time that the Agreement is signed applies for the full term of the Agreement, provided that the grantee’s actual costs have not decreased. If the CPB Rate decreases during the term of the Agreement, the grantee may only be reimbursed for the lower amount of its actual costs. The difference between the budgeted amount and the actual costs will be treated in accordance with limits as specified in CPB’s Terms and Conditions for Television, Radio, and Other Media Production Grants incorporated in the Agreement. Alternatively, these funds may be returned to CPB.
- d. The organization must provide the rate documentation upon CPB’s request to permit CPB to conduct a pre-award audit at the time the grant is being negotiated or

a post-award audit to verify the reasonableness and accuracy of the grantee's calculations as they pertain to the funded project. Included as Attachment B is a recommended format for developing and documenting the CPB indirect cost rate. CPB will be entitled to recover all or part of the excess of indirect support that was reimbursed if the organization is unable to provide support documentation for its calculation or demonstrate its reasonableness.

### Third-Party Costs

"Third-Party Costs" include the costs for any acquired content (in whole or in part) or the outsourced performance of any grant obligation or element of the project. With regard to charging indirect costs applied against Third-Party Costs, there are several acceptable options.

- 1) The organization may elect to charge no indirect costs on the Third-Party Costs.
- 2) If the organization has applied a FICR to the project, it is allowed to apply its indirect cost rate to a maximum of \$25,000 in Third-Party Costs for each third party it has engaged. CPB will also allow an organization to apply its FICR to Third-Party costs in excess of \$25,000 only if the organization demonstrates that it substantially supports the activities of the third party through the costs centers reflected in the organization's FICR. If a CPB grant contains federal funds subject to OMB Circular A-133, CPB will allow an organization to apply its FICR to vendor costs in excess of \$25,000 to the same extent permitted by the federal agency providing the underlying funding for such grant.
- 3) If the organization has applied a CPB Rate to the project, the organization may:
  - a. Use the same approach that is set forth for the Federal limit as outlined under (2) above, or
  - b. Develop and apply a Custom Acquisition Rate ("CAR") following the same rules outlined in the CPB Treatment under Attachment A. This approach requires that each Third-Party Indirect Cost pool include only costs with a specific nexus to the organization's Third-Party Costs. Any organization that establishes a CAR must ensure that the costs used in developing the CAR are not duplicative of any direct costs, costs included in calculating its CPB Indirect Cost Rate, or costs funded with other CPB funds. These calculations are subject to the same audit requirements as other provisions of this Treatment.

Third-Party costs may not include costs arising from entities that share the grantee's office space and share the support structure reflected in the indirect costs. CPB will determine the extent to which these situations justify the use of the CAR rate on a case by case basis.

In some cases, CPB may award grants for collaboration between multiple parties, which are awarded through a primary Grantee (or fiscal agent); in such cases, each party may be reimbursed for its own indirect costs. The primary Grantee may not charge indirect costs against the direct or indirect costs of the co-parties.

For all options, CPB encourages organizations receiving grants from CPB to itemize all appropriate costs for acquiring and managing third party activities, such as staff costs for legal and contract oversight, as direct costs. The Entity's FICR or CPB Rate may be then applied to these itemized direct costs up to the limit of the indirect support budget line.

All Third-Party Costs must be supportable by auditable documentation.

Attachment A

**CPB Treatment of Cost Elements under OMB Circular A-122\*  
for CPB Funded Projects**

**Reference:** Please refer to the OMB Circular A-122\* for specific descriptions used by the Federal government of each of the following cost categories. While CPB largely follows the Federal policies, CPB allows for differences in both approach and allowable costs in several categories. This Treatment may only be applied to projects without funding from Federal agencies. The CPB Treatment column outlines the acceptable approach for each cost category and supersedes the allowable costs and approach set forth in the OMB Circular.

\*For non-profit organizations, universities, and Indian tribes, OMB Circulars A-21 or A-87 apply. The treatment of cost elements as set forth below similarly apply.

**Requirements:** Entities must be able to show in an audit that items included in a cost pool or otherwise as indirect costs are not also charged as direct costs to a project and *vice versa*. See Attachment C for a description of some of the basic considerations with respect to substantiation of such costs.

<b>Selected Items of Cost from Attachment B of Circular A-122</b>	<b>CPB Treatment</b>
1. Advertising and public relations costs	Allowable as direct or indirect costs depending on the nature of the specific charges. Costs relating to the advertising, marketing and promotion of Grantee are allowable as indirect costs, while such costs relating to individual projects are allowable as direct costs.
2. Advisory councils	Allowable as direct or indirect costs depending on the nature of the specific charges. However, may be charged as indirect only for general concerns; costs must be direct if related to specific project.

Selected Items of Cost from Attachment B of Circular A-122	CPB Treatment
3. Alcoholic beverages	Allowable as direct costs for specific projects or indirect costs for non-project expenses, provided however, that such costs may not be incurred in connection with any activity designed to influence legislation or appropriations pending before the U.S. Congress or any State legislature (26 §U.S.C. 501(c)(3)) or for any reception or other entertainment for any officer or employee of the Federal Government or any state or local government (47 §U.S.C. 396, D(k)(2(A)).
4. Audit costs and related services	Allowable as direct or indirect costs depending on the nature of the specific charges.
5. Bad debts	Not allowed.
6. Bonding costs	Performance bonds allowable only as a direct cost of a project.
7. Communication costs	Allowable as direct or indirect costs depending on the nature of the specific charges.
8. Compensation for personal services	Allowable as direct or indirect costs depending on the nature of the specific charges.
9. Contingency provisions	Allowable only as a direct cost of production.
10. Defense and civil proceedings, claims, appeals and patent infringement	Allowable as a direct cost in defending copyright and related project matters; allowable as a indirect cost in defense of litigation or threatened litigation for employment, content or related issues on behalf of Grantee.
11. Depreciation and use allowances	May be included or covered through separate occupancy rate as a direct or indirect cost. Any items previously purchased with CPB or Federal funds may not be included in the depreciation calculation.
12. Donations and contributions	Not allowed.
13. Employee morale, health, and welfare costs	Allowable as direct costs tied to a specific project or indirect costs tied to Grantee's overall employees.

Selected Items of Cost from Attachment B of Circular A-122	CPB Treatment
14. Entertainment costs	Allowable as a direct cost to a particular project or as an indirect cost tied to general Grantee entertainment costs, provided, however, such costs may not be incurred in connection with any activity designed to influence legislation or appropriations pending before the U.S. Congress or any State legislature (26 §U.S.C. 501(c)(3)) or for any reception or other entertainment for any officer or employee of the Federal Government or any state or local government (47 §U.S.C. 396, D(k)(2(A))).
15. Equipment and other capital expenditures	Allowable as an indirect cost in connection with Grantee's general business equipment and capital expenditures or, subject to CPB approval, as a direct cost tied to a particular project. If equipment is already owned ( <i>i.e.</i> , not a new purchase), allowable to the extent an acceptable method of valuation is utilized.
16. Fines and penalties	Not allowed without CPB's express consent on a case-by-case basis.  NOTE: With respect to programming, Grantees should meet any delivery requirements and not incur late fees; therefore they may not be included as direct cost of production. For public TV productions, according to PBS, late fees are no longer charged for programs that must be delivered late due to the time sensitivity of content and related last-minute completion of production and delivery of such programs (e.g., news and public affairs programs).
17. Fundraising and investment management costs	Allowable as direct costs tied to a specific project or indirect costs tied to general Grantee fundraising or investment management.
18. Gains and losses on depreciable assets	Allowable as an indirect cost applied to the appropriate depreciation.
19. Goods or services for personal use	Not allowed.



Selected Items of Cost from Attachment B of Circular A-122	CPB Treatment
20. Housing and personal living expenses	Not allowed. NOTE: This category does not apply to customary travel, lodging and per diem charges directly related to a production.
21. Idle facilities and idle capacity	Allowable only as indirect costs, consistent with OMB Circular A-122.
22. Insurance and indemnification	Allowable as direct costs tied to a particular project, or as indirect costs tied to the general insurance costs of Grantee doing business. Payments of indemnified claims are not permitted.
23. Interest	Allowable as direct costs if tied to the funded project or indirect costs if tied to the general operations of the organization.
24. Labor relations costs	Allowable as direct or indirect costs depending on the nature of the specific charges.
25. Lobbying	Not allowed.
26. Losses on other sponsored agreements or contracts	Allowable as a direct cost tied to losses on a particular project.
27. Maintenance and repair costs	Allowable as direct or indirect costs depending on the nature of the specific charges.
28. Materials and supplies costs	Allowable as direct or indirect costs depending on the nature of the specific charges.
29. Meetings and conferences	Allowable as direct or indirect costs depending on the nature of the specific charges.
30. Memberships, subscriptions, and professional activity costs	Allowable as direct or indirect costs depending on the nature of the specific charges and may not include any dues paid with CPB funds.
31. Organization costs	Allowable as direct costs tied to a particular project or as indirect costs in connection with the restructuring or related activities of Grantee, consistent with OMB Circular A-122.

Selected Items of Cost from Attachment B of Circular A-122	CPB Treatment
32. Page charges in professional journals	Allowable only as direct costs tied to a particular project.
33. Participant support costs	Allowable as direct costs tied to a particular project or as indirect costs benefitting Grantee as a whole (e.g., audience focus groups not tied to a specific project).
34. Patent costs	Allowable only as direct costs tied to a particular project.
35. Plant and homeland security costs	Allowable as direct costs tied to a particular project or as indirect costs for general Grantee security related costs.
36. Pre-agreement costs	Allowable as direct on a case-by-case basis.
37. Professional service costs	Allowable as direct or indirect costs depending on the nature of the specific charges.
38. Publication and printing costs	Allowable as direct or indirect costs depending on the nature of the specific charges.
39. Rearrangement and alteration costs	Allowable as direct or indirect costs depending on the nature or the specific charges.
40. Reconversion costs	Allowable as direct or indirect costs depending on the nature or the specific charges.
41. Recruiting costs	With respect to productions, since some programs may require the use of talent that necessitates additional documentation in order for such talent to provide services (visas, etc.), these costs are allowable as direct costs. Standard recruiting costs are allowable as indirect costs.
42. Relocation costs	Allowable only as direct costs for persons engaged in project for a limited term. Relocation costs for other personnel allowable as indirect costs provided that such relocated personnel are not involved directly with a project and there is reasonable methodology to support such allocation of costs.
43. Rental costs of buildings and equipment	Allowable as direct costs if tied to a particular project or as indirect costs if for general business of the Grantee.

Selected Items of Cost from Attachment B of Circular A-122	CPB Treatment
44. Royalties and other costs for use of patents and copyrights	Allowable as direct costs tied to a particular project (including media library charges passed on from another station) or, if applicable, as indirect costs of maintaining Grantee's media library.  Note: Any revenue generated by a Grantee's media library should help cover such costs.
45. Selling and marketing	Allowable as direct or indirect costs depending on the nature of the specific charges.
46. Specialized service facilities	Allowable as direct or indirect costs depending on the nature of the specific charges.
47. Taxes	Allowable as direct or indirect costs depending on the nature of the specific charges consistent with OMB Circular A-122.
48. Termination costs applicable to sponsored agreements	Allowable as a direct cost tied to a particular project or an indirect cost in connection with Grantee's business.
49. Training costs	Allowable as direct or indirect costs depending on the nature of the specific charges.
50. Transportation costs	Allowable as direct costs tied to a particular project or as indirect costs in connection with Grantee's business..
51. Travel costs	Allowable as direct costs tied to a particular project or as indirect costs if person travelling is included as part of indirect costs payroll.
52. Trustees	Allowable as indirect costs.

Attachment B  
Pre-Determined Indirect Cost Rate Proposal  
Based Upon Fiscal Year \_\_\_\_\_

<b># in OMB Circular A-122*</b>	<b>Cost Category**</b>	<b>Annual Total</b>	<b>Annual Exclusions/ Unallowed</b>	<b>Indirect (a)</b>	<b>Annual Total Allowed Direct (b)</b>	<b>Project A Direct</b>	<b>Project B Direct</b>	<b>Project C Direct</b>
1	Advertising/Public Relations Costs							
2	Advisory Councils							
3	Alcoholic Beverages			N/A				
4	Audit Costs & Related Expenses							
5	Bad Debts	N/A		N/A	N/A	N/A	N/A	N/A
6	Bonding			N/A				
7	Communications Costs							
8	Compensation for Personal Services							
9	Contingency Provisions			N/A				
10	Defense & Prosecution of Criminal/Civil Proceedings, Claims, Appeals & Patent Infringement	N/A		N/A	N/A	N/A	N/A	N/A
11	Depreciation and Use Allowances							
12	Donations and Contributions			N/A				
13	Employee Morale, Health & Welfare Costs							
14	Entertainment Costs			N/A				
15	Equipment & Other Capital Expenditures							
16	Fines and Penalties	N/A		N/A	N/A	N/A	N/A	N/A
17	Fundraising & Investment Mgmt. Costs							
18	Gains and Losses on Depreciable Assets							
19	Goods or Services for Personal Use	N/A		N/A	N/A	N/A	N/A	N/A
20	Housing and Personal Living Expenses			N/A				
21	Idle Capacity (subject to CPB approval) [idle Facility not allowed]							
22	Insurance and Indemnification							
23	Interest				N/A	N/A	N/A	N/A
24	Labor Relations Costs							

<b># in OMB Circular A-122*</b>	<b>Cost Category**</b>	<b>Annual Total</b>	<b>Annual Exclusions/ Unallowed</b>	<b>Indirect (a)</b>	<b>Annual Total Allowed Direct (b)</b>	<b>Project A Direct</b>	<b>Project B Direct</b>	<b>Project C Direct</b>
25	Lobbying	N/A		N/A	N/A	N/A	N/A	N/A
26	Losses on Other Sponsored Agreements or Contracts	N/A		N/A	N/A	N/A	N/A	N/A
27	Maintenance and Repair Costs							
28	Materials and Supplies Costs							
29	Meetings and Conferences							
30	Memberships, Subscriptions and Professional Activity Costs							
31	Organization Costs				N/A	N/A	N/A	N/A
32	Page Charges in Professional Journals				N/A	N/A	N/A	N/A
33	Participant Support Costs				N/A	N/A	N/A	N/A
34	Patent Costs				N/A	N/A	N/A	N/A
35	Plant & Homeland Security Costs				N/A	N/A	N/A	N/A
36	Pre-Agreement Costs (subject to CPB approval)							
37	Professional Service Costs							
38	Publication and Printing Costs							
39	Rearrangement & Alteration Costs				N/A	N/A	N/A	N/A
40	Reconversion Costs				N/A	N/A	N/A	N/A
41	Recruiting Costs							
42	Relocation Costs							
43	Rental Costs of Buildings & Equipment				N/A	N/A	N/A	N/A
44	Royalties and Other Costs for Use of Patents & Copyrights				N/A	N/A	N/A	N/A
45	Selling and Marketing							
46	Specialized Service Facilities							
47	Taxes	N/A		N/A	N/A	N/A	N/A	N/A
48	Termination Costs Applicable to Sponsored Agreements (allowed only with CPB's consent)	N/A		N/A	N/A	N/A	N/A	N/A
49	Training Costs							
50	Transportation Costs				N/A	N/A	N/A	N/A
51	Travel Costs				N/A	N/A	N/A	N/A
52	Trustees				N/A	N/A	N/A	N/A

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Indirect Costs Rate	$\frac{(a)}{(b)}$	_____ %
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\* See CPB Guidelines for Indirect Costs / G&A for Public Broadcasting Entities, Attachment A

\*\* See CPB Treatment specified in CPB Guidelines for Indirect Costs / G&A for Public Broadcasting Entities, Attachment A

Attachment C  
Certification of Indirect Costs – FY \_\_\_\_\_  
(For Grantees using the "CPB Rate" under Method 3)

This is to certify that I have reviewed the indirect cost proposal submitted herewith and:

- (1) All costs included in this proposal dated \_\_\_\_\_, \_\_\_\_\_ to establish a pre-determined indirect cost rate of \_\_\_\_\_ % for the fiscal year ending \_\_\_\_\_, \_\_\_\_\_ are allowable in accordance with the requirements of grants/agreements to which they apply as set forth in the CPB Indirect Costs Guidelines;
- (2) The indirect cost rate contained in the proposal does not include any costs which are unallowable under such applicable cost principles; and
- (3) All costs included in this proposal are properly allocable to grants/agreements on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable federal cost principles as applied by CPB's Guidelines for Indirect Costs.

I declare that the foregoing is true and correct.

Grantee: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of  
Authorized Official: \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_