

cooperator. Otherwise, expenditures for goods and services contributed by a third party are considered to be in-kind contributions.

b. In-Kind Contribution: An in-kind contribution is a match other than a cash contribution. Examples include the value of staff time of a partner organization, airfare donated by a U.S. airline, and cash paid by partner organizations for project expenses.

Applicants can claim only the fair market value of the in-kind contribution.¹² In proposed budgets, applicants should list all in-kind contributions separately from cash contributions. Applicants must describe these in-kind contributions in sufficient detail to determine that the requirements of 15 CFR part 14.23(a), or 15 CFR part 24.24 (a) and (b) are met.

Applicants should structure their budgets carefully when expenditures by companies that benefit from project activity are involved. An expenditure by such a company that primarily benefits only that company cannot be claimed as in-kind match.

For example, a company may have made and paid for its own arrangements to attend a trade show that a cooperator has included in its project. The cooperator could not claim the amount paid by the company as in-kind match. The company incurs airfare and other expenses for its own benefit, but not necessarily to accomplish project objectives. Such expenditures are more self-serving than are true in-kind contributions to project success.

This policy should not deter applicants from proposing in-kind match. For example, a cooperator can claim the value of airfare donated by a U.S. airline. Although the airline benefits from goodwill associated with donating the service, it is the cooperator's project that benefits directly when the airfare is used to achieve project objectives. Unlike the company in the example above, the airline does not use the donated airfare itself and thereby benefit directly from it.

c. Minimum Match: An example of the minimum match is set forth below. An applicant requesting \$200,000 of Federal funds must supply, at a minimum, \$200,000 of cash contribution. As illustrated below, the remaining \$200,000 of the required match can be made up of additional cash or in-kind contributions.

Item	Federal share	Cooperator match
Cash	200,000	200,000
Cash or In-kind	200,000
Total	200,000	400,000

d. Cost Share Ratio: The example above establishes a cost-share ratio of two-to-one: two cooperator dollars for each Federal dollar. The cooperator assumes 2/3 of the total cost. In other words, 67 percent of the funding is provided by the cooperator and 33 percent by the Federal Government. This means that the cooperator will receive one dollar for every three dollars in project expenditures.

e. Additional Match: Cooperators may contribute more than two dollars for each Federal dollar; however, as set forth below, this will increase the cost-share ratio.

Item	Federal share	Cooperator match
Cash	200,000	200,000
Cash or In-kind	400,000
Total	200,000	600,000

This example establishes a cost-share ratio of three-to-one: three cooperator dollars for each dollar of Federal funds. The cooperator assumes 3/4 of the total cost. In other words, 75 percent of the funding is provided by the recipient and 25 percent by the Federal Government. This means that the cooperator will receive one dollar for every four dollars in project expenditures.

f. Direct and Indirect Costs: Applicants may claim indirect costs in their project budgets.¹³ Generally, direct costs result directly from project activity and usually include expenses such as personnel, fringe benefits, travel, equipment, supplies and contractual obligations. By contrast, indirect costs are generally those costs that are incurred regardless of whether there is an MDCP project. These are often referred to as "overhead" and usually include expenses such as rent, electricity, and gas.

The Department will determine allowable costs on the basis of the applicable cost principles and definitions in OMB Circulars A-21, A-87, and A-122; in 45 CFR part 74, appendix E; and in 48 CFR part 31.¹⁴

Federal funds may be used only to cover direct costs. The applicant must incur and pay direct costs that equal or exceed the amount of Federal funds. However, any portion of the balance of applicant's match that does not exceed the levels set forth below in II.B.3. *Indirect Cost Rate*, may be used to cover indirect costs.

3. Indirect Cost Rate: If a cooperator does not have a current approved indirect cost rate from another Federal agency, and the Department of Commerce will be the largest funding Federal agency, the Department will work with a cooperator to establish an indirect cost rate. This will not happen until after the applicant has been selected as an MDCP award winner.

Indirect costs are capped by the cooperator's total direct costs or the indirect cost rate, whichever is less.¹⁵ Examples of the two caps are set forth below.

a. Capped by Indirect Cost Rate: In the example below, indirect expenses are limited by the indirect cost rate of 30 percent of direct costs ($461,538 \times 0.3 = 138,462$). This amount is lower than the other possible cap of \$261,538, the total cooperator contribution to direct expenses. Accordingly, the cap is the lower amount, \$138,462.

Cost	Federal share	Cooperator match
Direct	200,000	261,538
Indirect (30%)	138,462
Total	200,000	400,000

b. Capped by Cooperator Direct Costs: In the example below, indirect expenses are limited by the cooperator's level of contribution to direct expenses instead of the amount calculated with the indirect cost rate. The indirect cost rate of 60 percent of total direct costs yields \$240,000 of total indirect costs ($400,000 \times 0.6 = 240,000$). Because this amount exceeds the cooperator's contribution of direct costs of \$200,000, indirect costs are capped at \$200,000.

Cost	Federal share	Cooperator match
Direct	200,000	200,000
Indirect (60%) (capped)	200,000

Appendix E referred to on this OMB site is not listed separately. It is found at the end of 45 CFR 74.91, which may be accessed directly at http://www.access.gpo.gov/nara/cfr/waisidx_99/45cfr74_99.html.

¹⁵ Information on calculating an indirect cost rate is available at <http://www2.dol.gov/oasam/programs/guide.htm>.

¹² For example, a consultant cannot claim \$150 per hour for their donated services unless they can demonstrate that they are actually paid that rate by customers for similar work.

¹³ A sample calculation of indirect costs is provided in the mock application available at <http://www.export.gov/mdcp>.

¹⁴ Access OMB circulars and forms at <http://www.whitehouse.gov/omb/grants/index.html>.