

**BROWN UNIVERSITY**

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1. This Disclosure Statement has been designed to most the requirements of Public Law 100-679, and persons completing it are to describe the educational Institution and Its cost accounting practices. For complete regulations, Instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFA (48 CFA 9903).
2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business units directly performing under Federally sponsored agreements (e.g., contracts, grants end cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a central or group office and are allocated to one or more segments performing under Federally sponsored agreements.
3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VI.
4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under Federal sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under Federal sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.
5. The Statement must be signed by an authorized signatory of the reporting unit.
6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.
7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words 'End of Part' should be inserted after the last entry.

8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference. In such cases, the reporting unit should provide the date of issuance and effective data for each accounting policy and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement Item number. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.
9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).
10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.
11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all re submissions, on each page. Insert "Revision Number \_\_\_\_" and "Effective Date \_\_\_\_" in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.

ATTACHMENT - Blank Continuation Sheet

COST ACCOUNTING STANDARDS BOARD  
DISCLOSURE STATEMENT  
REQUIRED BY PUBLIC LAW 100-679  
EDUCATIONAL INSTITUTIONS

Revision No. 3, Effect Date: June 15, 2010

COVER SHEET AND CERTIFICATION

0.1 Educational Institution

- (a) Name **Brown University**
- (b) Street Address **164 Angell Street**
- (c) City, State and ZIP Code **Providence, RI 02912**
- (d) Division or Campus of (if applicable) **N/A**

0.2 Reporting Unit Is: (Mark one.)

- A.  Independently Administered Public Institution
- B.  Independently Administered Nonprofit Institution
- C.  Administered as Part of a Public System
- D.  Administered as Part of a Nonprofit System
- E.  Other (Specify)

0.3 Official to Contact Concerning this Statement:

- (a) Name and Title **Donald S. Schanck, Assistant Vice President and Controller**
- (b) Phone Number (include area code and extension) **(401) 863-2716**

0.4 Statement Type and Effective Date:

- A. (Mark type of submission. If a revision, enter number)
  - (a)  Original Statement
  - (b)  Amended Statement; Revision No. **3**
- B. Effective Date of this Statement: Specify **June 15, 2010**

0.5 Statement Submitted To (Provide office name, location and telephone number, include area code and extension):

- A. Cognizant Federal Agency: **Department of Health & Human Services  
Northeastern Office  
26 Federal Plaza  
New York, New York 10278  
(212) 264-1823**
- B. Cognizant Federal Auditor: **Department of Health & Human Services  
Office of Inspector General  
Region I  
Boston, Massachusetts  
(617) 565-2692**

CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. paragraph 422.

Date of Certification: \_\_\_\_\_ **June 15, 2010** \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Elizabeth C. Huidekoper  
(Print or Type Name)

\_\_\_\_\_ **Executive Vice President for Finance & Administration/CFO** \_\_\_\_\_  
(Title)

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE  
IS PRESCRIBED IN  
18 U.S.C. # 1001

- | <u>Item No.</u> | <u>Item Description</u>   |
|-----------------|---|
|                 | Part I  |
| 1.1.0           | <p><u>Description of Your Cost Accounting System</u> for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperate agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p> <p>A. <input checked="" type="checkbox"/> Accrual</p> <p>B. <input type="checkbox"/> Modified Accrual Basis <u>1/</u></p> <p>C. <input checked="" type="checkbox"/> Cash Basis</p> <p>Y. <input type="checkbox"/> Other <u>1/</u></p>   |
| 1.2.0           | <p><u>Integration of Cost Accounting with Financial Accounting.</u> The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.)</p> <p>A. <input type="checkbox"/> Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.)</p> <p>B. <input type="checkbox"/> Not Integrated with financial accounting records (cost data are accumulated on memorandum records.)</p> <p>C. <input checked="" type="checkbox"/> Combination of A and B</p>   |
| 1.3.0           | <p><u>Unallowable tests.</u> Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one)</p> <p>A. <input type="checkbox"/> Specifically identified and recorded separately in the formal financial accounting records. <u>1/</u></p> <p>B. <input type="checkbox"/> Identified in separately maintained accounting records or work papers. <u>1/</u></p> <p>C. <input type="checkbox"/> Identifiable through use of less formal accounting techniques that permit audit verification. <u>1/</u></p> <p>D. <input checked="" type="checkbox"/> Combination of A, B or C. <u>1/</u></p> <p>E. <input type="checkbox"/> Determinable by other means. <u>1/</u></p> <p><u>1/</u> Describe on a Continuation Sheet.</p> |

COST ACCOUNTING STANDARDS BOARD  
DISCLOSURE STATEMENT  
REQUIRED BY PUBLIC LAW 100-679  
EDUCATIONAL INSTITUTIONS

**Revision No. 3, Effect Date: June 15, 2010**  
PART I - GENERAL INFORMATION  
NAME OF REPORTING UNIT:  
**BROWN UNIVERSITY**

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- | <u>Item No.</u> | <u>Item Description</u>   |
|-----------------|---|
| 1.3.1           | Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)             |
| 1.4.0           | <u>Cost Accounting Period:</u> <u>7/1 - 6/30</u> (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements. e.g., 7/1 to 6/30. If the cost accounting period is other than the institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.) |
| 1.5.0           | <u>State Laws or Regulations.</u> Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations special agreements on allowance of costs.  |

**NONE**



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**Continuation Page**

The Inventory Management System is an independent subsidiary system used for the maintenance of equipment records as required by OMB Circular A-110. This system is used to maintain an inventory of all equipment, federal and non-federal, to support the calculation of depreciation and use allowance for the indirect cost proposal.

The Facilities Management Office maintains current building space inventory information in their INSITE space inventory system. Information from this system is used in the assignment and allocation of building depreciation costs, equipment use/depreciation and operations and maintenance cost pool in the indirect cost proposal.

The Fixed Asset System is an independent subsidiary system used to maintain depreciation records by building component for use in the building depreciation cost pool in the indirect cost proposal. See continuation sheet 3.1.0 for further description.

The Effort Certification Reporting System is a subsidiary system used for the certification of effort to sponsored projects.

1.3.0 Unallowable tests:

Unallowable costs are identified and deducted through a combination of methods. Unallowable activities are separately identified within the University's accounting system through use of a distinct account number. Examples of costs identified through an account number include, fund raising, development and alumni costs, public relations, and endowment management fees. Unallowable costs are also identified through use of a specific sub code. Such costs as alcoholic beverages, office functions, and entertainment are charged to an expense code entitled *Meals and Hospitality*.

The University also makes use of less formal techniques to identify unallowable costs. Within the accounting system, it maintains separately identified accounts for legal expenses and institutional dues and memberships. It also maintains sub codes for publicity, debt service (interest), departmental memberships, and foreign and domestic travel. Since some of the costs in these groupings are allowable, our personnel review individual transactions at year end, and provide documentation for those which they deem allowable. This documentation is available for verification during audit.

1.3.1 Treatment of Unallowable Costs

(a) Indirect Cost Pools:

Unallowable costs are removed from the indirect cost pools prior to the allocation to benefiting functions. Unallowable activities benefiting from allowable indirect costs are included in the relevant allocation bases and draw their share of indirect costs.

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(b) Allocation Bases - Modified Total Direct Costs (MTDC)

Unallowable direct and indirect costs are included in the Other Institutional Activities (OIA) MTDC base, if the expense meets the OMB Circular A-21 definition of MTDC. Those unallowable costs that do not meet the A-21 definition, such as unallowable interest, are excluded from all pools and allocation bases.

**End of Part**

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Instructions for Part II

Institutions should disclose what costs are, or will be, charged directly to Federal sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.

- 2.1.0 Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)
- 2.2.0 Description of Direct Materials. All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)
- 2.3.0 Method of Charging Direct Materials and Supplies. (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)
- 2.3.1 Direct Purchases for Projects are Charged to Projects at:
- A. \_\_\_\_\_ Actual Invoiced Costs
  - B.   X   Actual Invoiced Costs Net of Discounts Taken
  - Y. \_\_\_\_\_ Other(s)   1/
  - Z. \_\_\_\_\_ Not Applicable
- 2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):
- A. \_\_\_\_\_ First In, First Out
  - B. \_\_\_\_\_ Last In, First Out
  - C. \_\_\_\_\_ Average Costs   1/
  - D. \_\_\_\_\_ Predetermined Costs   1/
  - Y.   X   Other(s)   1/
  - Z. \_\_\_\_\_ Not Applicable

1/ Describe on a Continuation Sheet.

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2.4.0 Description of Direct Personal Services. All personal services directly identified with federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services compensation costs, including applicable fringe benefits, if any, within each major institutional function or activity that are charged as direct personal services.)

2.5.0 Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)

	<u>Direct Personal Services Category</u>			
	<u>Faculty</u> (1)	<u>Staff</u> (2)	<u>Students</u> (3)	<u>Other 1/</u> (4)
A. Payroll Distribution Method (Individual time card/actual hours and rates)	_____	_____	_X_ (undergrads)	_____
B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)	_____	_____	_____	_____
C. After-the-fact Activity Records (Percentage Distribution of employee activity)	_X_	_X_	_X_ (graduate)	_____
D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)	_____	_____	_____	_____
Y. Other(s) <u>1/</u>	_____	_____	_____	_____

1/ Describe on a Continuation Sheet.

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2.5.1 Salary and Wage Cost Distribution Systems.

Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (if "NO", describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.)

\_\_\_\_\_ Yes  
\_\_\_X\_\_\_ No

2.5.2 Salary and Wage Cost Accumulation System.

(Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)

2.6.0 Description of Direct Fringe Benefits Costs. All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)

2.6.1 Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0 is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g. instruction, research); and then to individual projects or direct cost objectives within each function).

2.7.0 Description of Other Direct Costs. All other items of cost directly identified with Federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, sub grants, subcontracts, malpractice insurance, etc.)

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2.8.0 Cost Transfers. When Federally sponsored agreements or similar cost objectives are *credited* for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if "No", explain on a continuation sheet how the credit differs from original charge.)

Yes  
 No

2.9.0 Inter organizational Transfers. This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of inter organizational transfers or materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

	<u>Materials</u> (1)	<u>Supplies</u> (2)	<u>Services</u> (3)
A. At full cost <u>excluding</u> indirect costs attributable to group or central office expenses.	_____	_____	_____
B. At full cost <u>including</u> indirect costs attributable to group or central office expenses.	_____	_____	_____
C. At established catalog or market price or prices based on adequate competition.	_____	_____	_____
Y. Other(s) <u>1/</u>	_____	_____	_____
Z. Inter organizational transfers are not applicable	<u>X</u>	<u>X</u>	<u>X</u>

1/ Describe on a Continuation Sheet.

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2.1.0 Criteria for Determining How Costs are Charged to Federally Sponsored Agreements.

**I. Introduction**

Brown University's major direct cost categories are as follows:

- Direct Materials (materials and supplies)
- Personnel Services (salaries, wages, consulting and fringe benefits)
- Other Direct Costs

Brown University charges these costs to the major functions of the institution which includes organized research, instruction and other institutional activities. The cost accounting criteria described below are the same for all major cost objectives.

**II. General Rule for Charging Direct Costs**

Brown University's general rule for charging direct costs complies with OMB Circular A-21. Under that rule, the University directly charges costs that can either be specifically identified with a particular sponsored project or other direct cost objective, or that can be directly assigned to such activities with a high degree of accuracy. Costs incurred for common or joint objectives that cannot be specifically identified to a particular sponsored project are not charged directly but are charged as an indirect cost to the sponsored project. In addition, the University recognizes that Costs normally treated as F&A costs cannot be charged directly to a sponsored project unless the specific activities related to the project are clearly different in type or significantly different in scale from the University norm. Costs normally charged as F&A costs may be charged directly when "unlike or unusual" circumstances exist. These costs included as direct costs in the proposal budget if the intended use is for project specific activities (i.e. scientific/technical needs of the project) that are clearly justified in terms of their relevance to the methods used in conducting the research. When costs that are normally F&A costs are planned and used for the project's technical scope of work, they must be specifically identified, included and justified in the budget, and not specifically disapproved by the sponsor.

If a cost benefits more than one project or activity in proportions that can be easily determined without undue effort or cost, the cost is allocated to the projects based upon the proportional benefit to each. If a cost benefits more than one project in proportions that cannot be easily determined because of the interrelationship of the work involved, then the costs are allocated or transferred to the projects on a reasonable basis.

Non-salary and wages cost sharing:

For projects with non-salary and wages cost sharing commitments, at project end or a reporting interval defined by the sponsor, the department is required to submit a report to the Office of

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Sponsored Projects indicating the level of required cost sharing by cost element. The expenditures which reflect cost sharing are from non-federally funded accounts and documentation is the responsibility of the academic department.

**III. Additional Criteria for Charging Direct Costs**

In addition to the criteria described above, the University also employs the following criteria to determine the direct charges to sponsored projects:

- the award budget allows for the cost to be direct charged or the cost is allowable under the expanded authorities,
- the cost is not specifically disallowed in the award document, and
- the cost is allowable and allocable under OMB Circular A-21

2.2.0 Description of Direct Materials:

Materials and Supplies (including but not limited to):

Consumable research materials, computers and related peripherals, photocopies, faxes, books, subscriptions, postage, freight and computer software when not purchased as an original complement to equipment. These items must be in accordance with University policy.

2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory

Brown University has a central source for institution-owned inventory. The department responsible for the purchase and distribution of central inventory at the University is Stores Operations. The price charged by Stores Operations is equal to the most recent invoice cost of the product plus a mark-up to recover the operating costs of the department. The mark-up is charged to all customers regardless of source of funds and is based upon the budget projections for the upcoming fiscal year.

2.4.0 Description of Direct Personal Services

Two categories of individuals provide personal services at Brown, they are:

- employees
- independent contractors

Employees are classified as follows:

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- faculty
- staff
- student employees

Employee salaries and wages may be charged to a sponsored project or to any cost objective as long as they meet the criteria described in Item 2.1.0. Salaries and wages are charged at gross through the University's payroll system.

Independent contractors are paid as per agreement between the contractor and the University, with payment made through accounts payable. These costs are included in item 2.7.0., Other Direct Costs.

**I. Faculty**

Faculty are compensated via a base salary that may be a nine, ten or twelve month appointment, depending on the department to which they belong. Faculty who chair a department or perform some additional administrative function may receive a supplement to their base salary.

Compensation received by faculty with nine month or ten month appointments is referred to as an academic year salary. The faculty members are also eligible to receive a summer salary that is paid at the same monthly rate as their academic salary and is only available for one to three months. Faculty are eligible for a specific benefit package which is described in Item No. 2.6.0. They do not accrue paid time off though they are eligible for sabbatical leave (see Item 2.6.0). Research faculty are given 12 month appointments which do accrue vacation leave but are not eligible for sabbatical leave.

**II. Staff**

All positions at Brown are governed by the Fair Labor Standards Act (FLSA) and are evaluated to determine whether they are covered by the Act's overtime pay or compensatory time off requirements. Those positions which are exempted from those provisions of the FLSA are classified as exempt staff; those not exempted are classified as nonexempt staff.

**A. Exempt Staff**

Exempt staff are paid on an annual salary basis, paid monthly on the last working day of the month. Full time exempt staff are normally twelve month positions although some may be for a shorter duration. These employees are not eligible for overtime but may be eligible for supplemental pay depending upon the circumstance and in accordance with University policy. Exempt staff accrue both vacation and sick leave. The rate of accrual for vacation and sick is

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contingent upon the status of the employee, i.e., full time or part time, and is further explained in the Human Resources Policies & Practices Manual.

**B. Nonexempt Staff**

Employees in nonexempt positions have normal work weeks of either 37.5 hours or 40-hours based upon whether or not they are governed by a collective bargaining agreement. Nonexempt, non-union employees (37.5 hour work weeks) are paid semi-monthly based upon an annual salary figure divided equally among 24 pay periods. Time sheets are submitted for each pay period for these employees. The University employs a system of positive pay, that is, only exceptions are noted on the time sheets and would affect the normal pay for the pay period. University policy is to pay overtime for these employees at time and one half for hours worked in excess of 37.5.

Nonexempt employees governed by collective bargaining agreements work a 40 hour week and are paid on a weekly basis. Time sheets are also submitted for these employees and the University employs a system of negative pay, that is, actual hours must be submitted for each pay period in order to generate the wage payment. The bargaining agreement identifies the rates of compensation, including overtime and shift differentials, and vacation and sick leave accruals.

**C. Miscellaneous Staff**

Miscellaneous, temporary, and limited duration employees are those staff members who are employed for a limited period of time. Compensation is at an hourly rate and paid for actual hours worked as submitted on a time sheet. Miscellaneous staff are generally not eligible for benefits, except workers compensation and unemployment, and do not accrue vacation and sick leave.

**III. Students**

**A. Undergraduate:**

Undergraduate students provide administrative, clerical, laborer, technical or other general assistance to the University. During the academic year (Sept-May), employment is incidental to the academic pursuits of these students. As such, wages earned are not subject to the application of a fringe benefit rate when charged to federally sponsored agreements or other cost objectives. During the summer months, (June-August) undergraduate student earnings are subject to the Part Time benefit rate when charged to individual cost objectives.

**B. Graduate:**

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Graduate students are employed by the University through appointment by the Graduate School. These individuals perform services in the form of teaching assistance, research assistance, and proctors. Graduate students are compensated based upon a fixed amount determined by the sponsoring academic department and reviewed by the Graduate School. These students do not accrue fringe benefits and are not subject to a fringe benefit rate charge during the academic year. During the summer months, (June-August) graduate student earnings are subject to the Part Time benefit rate when the salaries are distributed to sponsored agreements or other cost objectives.

2.5.0 Method of Charging Direct Salaries and Wages:

Students are identified under two methods due to the differences in the treatment of undergraduate versus graduate students.

Undergraduate students are paid semi-monthly based upon the actual number of hours submitted and approved by the hiring department. Hours must be submitted on a time sheet in order for these individuals to be paid and charged to a specific cost objective. The applicable method under 2.5.0 is the Payroll Distribution Method.

Graduate students employed by the University are paid on a semi-monthly basis, based upon a fixed salary amount determined at the time of their appointment. *Personnel Action Forms* (PAFs) are used during the academic year for the direct charging of graduate students to sponsored agreements. The generation of the PAF begins with the completion of a Graduate Student Appointment Recommendation Form by the academic department and sent to the Graduate School. The Graduate School forwards this information to Human Resources for creation of the PAF. The PAF identifies the base salary, rate of pay and the account number(s) (cost objectives) to be charged. If more than one account number is to be charged, the percentage of effort is indicated for each account in order to properly distribute the salary.

This method is used to determine in advance the level of effort anticipated for each account indicated on the PAF. Should the effort change, the PAF can be modified in advance to indicate the new distribution of salary and effort. An after-the-fact certification is obtained, as described in section 2.5.2 verifying the charges made to each cost objective.

2.5.1 Salary & Wage Cost Distribution Systems:

The cost distribution methods described in Item 2.5.0 are not used by all employees compensated by the University. Those employees which are excepted (in accordance with OMB Circular A-21) include: 1) those charged 100% to one the indirect cost pools (i.e. general administration, operations and maintenance, sponsored project administration); 2) those charged 100% to the

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direct cost objectives "Other Institutional Activities" and "Instruction"; and 3) those charged to any "unallowable " cost activity such as those stated in Item 1.3.0.

2.5.2 Salary and Wage Cost Accumulation System:

All of the University's major functions and activities use the following cost accumulation system to record the share of salary and wage costs attributable to direct and indirect objectives:

- 1) All salaried employees are established in the University's Human Resource Management System by means of a PAF. This form indicates the employee's name, address, department, social security number, annual salary, periodic salary, and the University account number(s) (cost objectives) to which their salary is to be charged. This form is used to record the share of salary and wage attributable to either one or more sponsored projects, instructional or other cost objective, or an indirect cost activity.
- 2) Hourly employees covered by collective bargaining agreements, follow a similar procedure with the submission of the PAF, but also includes the additional step of indicating hours worked and account numbers to be charged (if different from the PAF) on a weekly basis. These employees must submit hours on a time sheet prior to the weekly payroll run.
- 3) Undergraduate Student and temporary employees are established in the Human Resource Management System by means of a *Student Personnel Action Form* or a *Request for Temporary Employment Form*, respectively. Both forms contain the job description, rate of pay and cost objectives to which the employee is to be charged. The students are paid semi-monthly; temporary employees are paid weekly, both based upon actual hours worked.

At the end of each month, a Labor Distribution extract is taken from all payrolls paid during the month and transactions are created which feed the Financial Record System. At the time this extract is taken, a reconciliation is performed against the payroll records accounting for all gross to net dollars. The reconciliation to payroll records takes place prior to transactions being fed to final cost objectives or to indirect cost activities.

The After-the Fact, Effort Certification Reports (ECR) are generated monthly or semi-annually from the Labor Distribution files. ECRs for non-exempt salaried personnel charged directly to sponsored agreements are generated on a monthly basis. ECRs for exempt staff, faculty and graduate students charged directly to sponsored agreements are generated on a semi-annual basis.

The ECRs are sent (monthly or semi-annually) to the appropriate academic department and are reviewed and signed by either the principal investigator /project director or the employee. If a discrepancy exists between the effort indicated on the ECR and the actual effort, the appropriate salary reallocation will be completed and the ECR will be noted accordingly.

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As per the University's policy and procedure on cost sharing, University mandatory and voluntary committed cost sharing in the form of salary and wages is captured every fiscal year end. The academic department receives a form to complete indicating the non-sponsored projects account (including endowment/gift funds) on which the effort was charged as well as the percent of effort. The form is certified by the individual whose effort is indicated on the form or by the principal investigator/project director.

2.6.0 Description of Direct Fringe Benefit Costs:

The following fringe benefits are charged directly to sponsored agreements or similar cost objectives:

- a) Defined Contribution Retirement Plans. Enrollment in a defined contribution retirement plan is mandatory for all full-time faculty non-union staff, and employees of Police and Security and of the Library. The University contributes on behalf of the employees who are the owners of the funds. The University has no liability associated with these funds other than to remit the appropriate amounts.
- b) Defined Benefit Pension Plan. University funded plan that covers union (except Police and Security and the Library) employees. Actuarial report received annually that determines the University liability and plan valuation.
- c) Group Health Insurance. The University offers several comprehensive point-of-service (POS) health insurance options. In addition, it offers a buyout payment for those employees with other options for health care coverage. Employee co-payment is required and is based upon annual salary.
- d) Group Life Insurance. The University provides basic term life insurance in an amount equal to the employee's annual salary up to a maximum of base salary. Additional group term life insurance is available at the employee's expense.
- e) Group Dental Insurance. Dental coverage is offered through a managed care plan with a single carrier. Employee co-payment is required.
- f) Long Term Disability Insurance. The University provides long term disability insurance for those employees who become disabled while employed at Brown. Policy coverage is purchased from an external company.
- g) Unemployment Insurance. University pays the State of Rhode Island on a reimbursement basis for actual costs paid by the State Department of Employment and Training.

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- h) Workers Compensation Insurance. Employees are covered by statutory Rhode Island Workers' Compensation Insurance. University program is self-insured with funds set aside annually for projected claims or benefits on the basis of an independent actuarial report. The University also maintains an external stop-loss policy that provides excess insurance coverage above an aggregate retention amount.
- i) FICA. Includes both Medicare and Old Age, Survivors and Disability Insurance (OASDI) payments for the University share in the cost of these mandatory programs.
- j) Tuition Aid Program. University provides assistance in paying the undergraduate tuition costs, up to a fixed amount, for the dependent children of eligible employees. Students must be enrolled full time in an undergraduate degree program and be in good standing. Effective 7/1/99, as per Circular A-21, this benefit will become an unallowable expense and it is not charged to federally sponsored agreements.
- k) Employee Education Program/Tuition Remission. University pays for the tuition of job-related courses for eligible employees. Courses must be to maintain or improve skills required to perform current position, or be required by law or by the University in order for employee to retain their job.
- l) Sabbatical Leave. Sabbatical leave is granted to members of the Faculty as recognition of notable service. It is only granted to those of professorial ranks (assistant, associate and full professors). Leave may involve absence for the entire academic year, compensated at one-half pay; or for half an academic year, at full pay. Exceptions may be granted on a case by case basis at the discretion of the Dean of Faculty, the Provost or the President.
- m) Faculty Retirement Plan. Special retirement incentive plan offered to full time tenured faculty. The current plan requires that eligible faculty members attain the age of 66 and have completed 20 years of service as a faculty member at Brown.
- n) Benefits Administration. The costs of administering the University's benefit programs to its employees is included as a direct fringe benefit. These costs include the salaries, wages and benefits of the Benefits Office staff and its related operating expenses.
- o) Transportation. The costs of a shuttle transportation program available to all faculty, staff and students for transportations among University facilities are included as a direct fringe benefit. These costs include the direct payments made to an external vendor in providing

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the shuttle vans for this transportation service. The rate calculation excludes the allocable portion of these costs attributed to students.

- p) Dependent Care. The costs of a dependent care program available to all faculty, staff and are included as a direct fringe benefit. These costs include the direct payments made to an external vendor in providing both infant and elderly dependent care services to University employees.

2.6.1 Method of Charging Direct Fringe Benefits

Effective July 1, 2010 the Faculty and Administrative Staff/Weekly Staff fringe benefit rates will be combined, and there will be two rates, one rate for **Full-Time** employees and another for **Part-Time** employees. The University uses a series of benefit rates to charge fringe benefit costs to individual cost objectives. Rates are developed annually, based upon actual costs, for Faculty, Staff and Limited Duration employees. Fringe benefit costs are described in 2.6.0. are identified directly to the Full or Part-time employee group to which they pertain. For example, FICA costs are assigned to each rate based upon the actual salaries attributed to each pool. Benefits administration costs are allocated among the Full and Part Time pools based upon the relative salaries and wages in each pool.

Rates for a future year are developed using the prior year's actual costs as a base, factoring in current and following year projections. Any variance between projected and actual rates is included in the computation of the rates for the next open year.

Rates are charged to individual accounts, projects or cost objectives through the monthly Labor Distribution feed from the University's human resource information system. This system contains all personnel and payroll information for each employee. The fringe benefit rate charge follows the salary and wages charged by individual. For example, when the direct wage charge for an individual is applied to a sponsored project, the applicable benefit rate charge is also applied. Similarly, when a direct wage charge is made to an indirect cost objective (general and administrative account), the applicable fringe benefit charge is also applied.

The following is a breakdown of the two fringe benefit rate pools and the costs identified in each.

*Faculty and Staff Full Time:  
Social Security Taxes (FICA)*

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*Defined contribution retirement plan*  
*Health insurance*  
*Dental insurance*  
*Group life insurance*  
*Workers compensation insurance*  
*Unemployment insurance*  
*Long-term disability insurance*  
*Educational assistance*  
*Benefit administration expenses*  
*Sabbaticals*  
*Transportation Benefit*  
*Dependent Care*

*Faculty and Staff Part Time:*

*Social Security Taxes (FICA)*  
*Workers compensation insurance*  
*Unemployment insurance*  
*Benefit administration expenses*

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2.7.0 Description of Other Direct Costs.

The following principal classes of costs are directly identified with Federally sponsored agreements or similar cost objectives:

- a) Travel and conference
- b) Equipment
- c) Independent contractor/consultant services
- d) Sub awards
- e) Communications
- f) Tuition remission
- g) Lease /rental agreements
- h) Participant costs
- i) University services, including but not limited to:
  - Animal care facility
  - Engineering-Physics instrument shop
  - Computer maintenance
  - Electron microscope lab
  - Computer service and repair
  - Graphic services
  - Copy services
- j.) Equipment rental and repair

2.8.0 When federally sponsored agreements are credited for cost transfers to other projects, grants or contracts, the credit for applicable indirect costs is based on the rate in place at the time credit is processed.

**End of Part**

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Instructions for Part III

Institutions should disclose how the segment's total indirect costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and "billed" to users, and the specific indirect cost pools and allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.

The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.

- A. Direct Charge or Allocation
- B. Total Expenditures
- C. Modified Total Cost Basis
- D. Modified Total Direct Cost Basis
- E. Salaries and Wages
- F. Salaries, Wages & Fringe Benefits
- G. Number of Employees (head count)
- H. Number of Employees (full-time equivalent basis)
- I. Number of Students (head count)
- J. Number of Students (full-time equivalent basis)
- K. Student Hours - classroom and work performed
- L. Square Footage
- M. Usage
- N. Unit of Product
- O. Total Production
- P. More than One Base (Separate Cost Groupings)
- Y. Other(s) <sup>1/</sup>
- Z. Category or Pool not applicable

<sup>1/</sup> List on a Continuation Sheet, the category and sub grouping(s) of expense involved and the allocation base(s) used.

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**3.1.0** Indirect Cost Categories - Accumulation and Allocation. This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, 'Accumulation Method,' insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation- base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to other applicable indirect cost categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading 'Allocation Sequence,' insert 1, 2, or 3 next to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert 'CA.'" If an indirect cost category listed in this section is not used, insert "NA.")

<u>Indirect Cost Category</u>	<u>Accumulation Method</u>	<u>Allocation Base Code</u>	<u>Allocation Sequence</u>
(a) Depreciation/Use Allowances/Interest			<u>  1  </u>
Building	<u>  N  </u>	<u>  L  </u>	
Equipment	<u>  N  </u>	<u>  L  </u>	
Capital Improvements to Land <u>1/</u>	<u>  Y  </u>	<u>  L  </u>	
Interest <u>1/</u>	<u>  Y  </u>	<u>  L  </u>	
(b) Operation and Maintenance	<u>  Y  </u>	<u>  L  </u>	<u>  2  </u>
(c) General Administration and General Expense.	<u>  Y  </u>	<u>  C_(1/)</u>	<u>  3  </u>
(d) Departmental Administration	<u>  Y  </u>	<u>  C  </u>	
(e) Sponsored Projects Administration	<u>  Y  </u>	<u>  C_(1/)</u>	
(f) Library	<u>  Y  </u>	<u>  G  </u>	
(g) Student Administration and Services	<u>  Y  </u>	<u>  I  </u>	
(h) Other <u>1/</u>	<u>  NA  </u>	<u>  Z  </u>	

1/ Describe on a Continuation Sheet.

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3.2.0 Service Centers. Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include "recharge centers" and the "specialized service facilities" defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter "Z" in Column 1, if not applicable.)

	(1)	(2)	(3)	(4)	(5)	(6)
(a) Scientific Computer Oper (Central)	__Not Billed - See Continuation Sheet__					
(b) Business Data Processing	__Not Billed - All Indirect (G&A)__					
(c) Animal Care Facilities	<u>A</u>	<u>A</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>Y</u>
(d) Other Service Centers with Annual Operating Budgets exceeding \$1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)						

- (1) Category Code: Use code 'A' if the service center costs are billed only as direct costs of final cost objectives; code 'B' if billed only to indirect cost categories or indirect cost pools; code 'C' if billed to both direct and indirect cost objectives.
- (2) Burden Code: Code 'A' - center receives an allocation of all applicable indirect costs; Code 'B' partial allocation of indirect costs; Code 'C' - no allocation of indirect costs.
- (3) Billing Rate Code: Code 'A' - billing rates are based on historical costs; Code 'B'-- rates are based on projected costs; Code 'C' - rates are based on a combination of historical and projected costs; Code 'D' - billings are based on the actual costs of the billing period; Code 'Y' - other (explain on a Continuation Sheet).
- (4) User Charges Code: Code 'A' - all users are charged at the same billing rates; Code 'B' - some users are charged at different rates than other users (explain on a Continuation Sheet).
- (5) Actual Costs vs. Revenues Code: Code 'A' - billings (revenues) are compared to actual costs (expenditures) at least annually; Code 'B' - billings are compared to actual costs less frequently than annually.
- (6) Variance Code: Code 'A' - Annual variances between billed and actual costs are prorated to users (as credits or charges); Code 'B' - variances are carried forward as adjustments to billing rate of future periods; Code 'C' - annual variances are charged or credited to indirect costs; Code 'Y' other (explain on a Continuation Sheet).



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<u>Item No.</u>	<u>Item Description</u>
3.5.0	<p><u>Composition of Allocation Bases.</u> (For each allocation base code used in Items <b>3.1.0</b> and <b>3.3.0</b>, describe on a continuation sheet the makeup of the base. -For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first \$25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation method used should be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study .</p>
3.6.0	<p><u>Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs.</u> Are appropriate direct costs of all programs and activities included in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations?</p> <p>A. <input checked="" type="checkbox"/> Yes</p> <p>B. <input type="checkbox"/> No <u>1/</u></p>

1/ Describe on a Continuation Sheet.

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3.1.0 Indirect Costs Categories - Accumulation and Allocation.

The University's allocation sequence of indirect cost pools is 1) operations & maintenance, 2) depreciation and use allowances, 3) general & administrative, and 4) the remaining indirect pools not cross allocated. General & Administrative is allocated on the basis of MTC plus an allocation of O&M. This sequence was developed due to the fact that depreciation and use allowances were not taken on all assets, but rather only those affecting the allocation to research.

The University will revise the order of distribution and future F&A cost proposals will be as stated in Circular A-21. General & Administrative will be allocated on an MTC basis without an allocation from O&M.

Depreciation and use allowance records for the Building and Equipment indirect cost pools are kept in separate subsystems to the formal accounting system. The Building Depreciation subsystem is a local computer database application which is maintained by the Controller's Office and reconciled annually to the values held in the formal accounting system.

Equipment records used in the calculation of Equipment Depreciation and Use Allowance are maintained in the Inventory Management System by the Office of Sponsored Projects. Equipment inventory records are fed from the Accounts Payable module of the University's main accounting system.

3.2.0 Service Centers.

(a) Academic computing operations from the University's central computing facility are not billed out to users. All costs are handled as an indirect cost and, beginning with the fiscal year 1995-96, are allocated to the Instructional final cost objective. The majority of scientific computing operations are now department-based with the larger units set up as individual service centers billing the users of the facility. The annual operating budgets for these units are generally less than \$500,000 and are comprised of direct costs only. The costs of administrative computing are assigned to either Student Services or General Administration cost pools.

(c) Effective July 1, 1998, the University has modified its procedures regarding the treatment of the animal care facility as a specialized service facility. In accordance with current OMB Circular A-21 cost principles, the University will include both the direct costs and the allocable share of the F&A costs in the animal care facility rates. Should changes in federal regulations



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**(d) Operations and Maintenance.**

Expenses in this pool consist of salaries and wages, fringe benefits, and operating expenses as defined by A-21, section F.4. The major organizational components and the costs incurred for the operations and maintenance of the University's physical plant include:

- 1) Utilities - electricity, heat, power, water and sewer, and gas for all buildings. The University has used a methodology for allocating heat costs to buildings that is not strictly based upon square footage. Future F&A proposals will be in compliance with Circular A-21 in effect at the time of the proposal.
- 2) Maintenance - buildings and ground maintenance, repairs and alterations provided by the shops in Plant Operations.
- 3) Custodial - janitorial services provided by Plant Operations.
- 4) Safety - environmental and occupational safety costs incurred through Risk Management.
- 5) General O&M - plant administration, planning and construction, property control, property insurance, network support, police and security, fire protection and campus services.
- 6) Department facility operators - personnel specifically assigned to the maintenance, preservation and safety aspects of their facilities.
- 7) The O&M pool will include its allocable share of interest and depreciation and use allowance expenses.

Costs incurred for utilities, building maintenance, custodial, safety and plant administration are compiled on a building basis and allocated to direct and indirect cost objectives through use of building space surveys conducted every three years. Costs for insurance, police and security, property management, network support, fire protection and grounds maintenance are allocated to all cost objectives based upon the overall University space devoted to each cost objective.

**(e) General Administration and General Expense.**

This pool includes allowable costs associated with campus-wide general support. Expenses are composed of salaries and wages, applicable fringe benefits, and operating costs as defined by

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A-21, Section F.5. The General Administration cost group is comprised of allowable expenses of, but not limited to, the following University offices:

President's Office  
Provost's Office  
Senior Vice President for Finance and Administration  
Dean of Faculty  
Controller  
Human Resources  
Purchasing  
Budget  
General Counsel  
Administrative Computing  
Internal Audit  
Risk Management

General & Administrative also includes the applicable share of operations and maintenance costs, building depreciation and equipment depreciation/use allowance. Interest costs will be included in future F&A cost proposals.

**(f) Departmental Administration.**

The costs included as Departmental Administration are those which have been incurred for the administrative and support services within academic departments, centers, institutes, programs and divisions. The costs include salaries, wages and applicable fringe benefits of professional administrative, secretarial and clerical staff. Operating expenses are included only to the extent that they are separately budgeted and accounted for in support of administrative activities. The major organizational components are:

- 1) Faculty administration - calculated at 3.6% of the organized research MTDC base.
- 2) Sponsored Project component - includes costs incurred in the academic departments related to effort specifically identified to the administration of sponsored projects.
- 3) Instructional component - includes costs incurred in the academic departments related to effort specifically identified to the administration of instructional activities. .
- 4) Departmental (Joint) component - includes costs incurred in the academic departments related to administrative effort which jointly benefits the instruction and research activities for which it is not practicable to separately identify.

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5) Division of Biology and Medicine component - includes cost incurred by the administrative offices in the Division of Biology and Medicine in support of instructional, research, and other activities.

Also included are the applicable allocations made from the building depreciation, equipment depreciation/use allowance, operations and maintenance and general and administrative cost pools.

**(g) Sponsored Project Administration.**

The costs included as Sponsored Project Administration are those which have been incurred by the central office(s) established primarily to provide administrative support to externally sponsored projects.

The expenses in this pool include the salaries and wages, fringe benefits and applicable operating expenses for the Office of Vice President for Research, Office of Sponsored Projects, and the Office of Bio-Med Research Administration. Also included are the applicable allocations made from the building depreciation, equipment depreciation/use allowance, operations and maintenance and general and administrative cost pools.

**(h) Library**

The costs included in this pool are those associated with operating and maintaining the University's libraries. It includes the salaries, wages and operating expenses of the major divisions within the Library: Acquisitions, Serials, Catalog, Reference and Administration. Also included is the cost of all library materials - books, periodicals, and serials, less any income that may qualify as an applicable credit, such as fines. In future F&A cost proposals, the University will not include costs related to the Ann Mary Brown memorial library or the costs associated with housing rare books and collections for public display.

Also included are the applicable allocations made from the building depreciation, equipment depreciation/use allowance, operations and maintenance and general and administrative cost pools.

**(i) Student Administration and Services**

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Student Service expenditures are those which have been incurred for the administration of student affairs and services, including but not limited to those of the offices of:

- Dean of Students
- Dean of Graduate School
- Admissions
- Registrar
- Bursar
- Counseling and Placement Services
- Student Advisors

Costs are composed of salaries and wages, applicable fringe benefits and operating expenses, and also include the allocations made from the building depreciation, equipment depreciation/use allowance, operations and maintenance and general and administrative cost pools.

3.5.0 Composition of Allocation Bases.

**(a) Modified Total Cost Base.**

The Modified Total Cost Base is used to allocate the cost pools, General & Administration, Departmental Administration and Sponsored Project Administration. It includes as direct costs, materials and supplies, salaries and wages, fringe benefits, travel, communication, postage, equipment rental and repair and internal service center charges. It does not include equipment purchases, student aid or tuition charges, debt service, and sub agreement costs in excess of \$25,000. The MTC base used to allocate G&A has included an allocation of O&M. Future F&A cost proposals will be modified and will not include an allocation of O&M in its modified total cost base for the allocation of G&A.

**(b) Modified Total Direct Cost Base.**

The Modified Total Direct Cost Base (MTDC) is used to determine the actual organized research indirect cost rate and the method in which the rate is to be applied to sponsored

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agreements. The MTDC base consists of all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by subgrant or subcontract). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships and fellowships, as well as the portion of each subgrant and subcontract in excess of \$25,000.

**(c) Number of Employees - Headcount.**

This base is used in determining the allocation of Library costs to the final cost objectives. The number of employees, on a headcount basis, is combined with the number of students and the number of outside users of the library to develop a total potential population of users. Since full-time equivalent information is not available for all users, the headcount basis provides the most consistent approach. Faculty members and research graduate students are further allocated to final cost objectives on the basis of direct salaries and wages. This base is updated on an annual basis. It is understood that this base is not in accordance with OMB Circular A-21 and is therefore considered a special study. In future indirect cost proposals, in the absence of an approved special study, the initial allocation of library expenses will be made on the "full-time equivalent" basis as described in OMB Circular A-21.

**(d) Number of Students - Headcount.**

The total headcount on the number of students, both graduate and undergraduate, is used to allocate student service costs to final cost objectives. The number of research graduate students compared to the total student population is applied to student service costs, including cross allocations, to determine the costs in this pool applicable to organized research. This base is updated on an annual basis. Effective July 1, 1998, the University's procedures have been modified in accordance with OMB Circular A-21, paragraph E.2.d. As such, the student service cost pool is allocated entirely to the instructional function.

**(e) Square Footage.**

The square footage base is used in the allocation of operations and maintenance, building depreciation, and equipment depreciation/use allowance to both direct and indirect cost objectives. The data is developed by means of a biennial survey of the space within the control of each department. The survey is conducted by the academic departments, in conjunction with the Facilities Management Office. Space usage is estimated by room within each building by the individuals most knowledgeable about the space. Room data is aggregated by building and then applied to building, equipment and maintenance costs.

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4.1.0 Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For each asset category listed below, enter a code from **A** through **C** in Column (1) describing the method of depreciation; a code from **A** through **D** in Column (2) describing the basis for determining useful life; a code from **A** through **C** in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code **A** or **B** in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code **Y** in each column of an asset category where another or more than one method applies. Enter Code **Z** in Column (1) only, if an asset category is not applicable.)

<u>Asset Category</u>	<u>Depreciation Method</u> (1)	<u>Useful Life</u> (2)	<u>Property Unit</u> (3)	<u>Residual Value</u> (4)	
(a) Land Improvements	<u>A</u>	<u>C</u>	<u>B</u>	<u>B</u>	
(b) Buildings	<u>Y</u>	<u>C</u>	<u>A</u>	<u>B</u>	
(c) Building Improvements	<u>Y</u>	<u>C</u>	<u>A</u>	<u>B</u>	
(d) Leasehold Improvements	<u>Z</u>	—	—	—	
(e) Equipment	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>	<b>(Revised)</b>
(f) Furniture and Fixtures	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>	“
(g) Automobiles and Trucks	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>	“
(h) Tools	<u>B</u>	—	—	—	
(i) Enter Code Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. Otherwise enter Code Z.)	<u>Z</u>	—	—	—	

Column (1)-Depreciation Method Code

- A. Straight Line
- B. Expensed at Acquisition
- C. Use Allowance
- Y. Other or more than one method 1/

Column (3)-Property Unit Code

- A. Individual units are accounted for separately
- B. Applied to groups of assets with similar service lives
- C. Applied to groups of assets with varying service lives

Column (2)-Useful Life Code

- A. Replacement Experience
- B. Term of Lease
- C. Estimated service life
- D. As prescribed for use allowance by Office of Management and Budget Circular No. A-21
- Y. Other or more than one method 1/

Column (4)-Residual Value Code

- A. Residual value is deducted
- B. Residual value is not deducted
- Y. Other or more than one method 1/

COST ACCOUNTING STANDARDS BOARD  
DISCLOSURE STATEMENT  
REQUIRED BY PUBLIC LAW 100-679

**Revision No. 3, Effect Date: June 15, 2010**  
PART VI - DEPRECIATION & USE ALLOWANCES  
NAME OF REPORTING UNIT:

EDUCATIONAL INSTITUTIONS

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Y. Other or more than one method 1

1/ Describe on a Continuation Sheet.

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- 4.1.1 Asset Valuations and Useful Lives. Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)
- A.  Yes (see Continuation Sheet)  
B.  No 1/
- 4.2.0 Fully Depreciated Assets. Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one.; If yes, describe the basis for the charge on a continuation sheet.)
- A.  Yes  
B.  No – (Except as noted in continuation sheet 4.1.0.)
- 4.3.0 Treatment of Gains and Losses on Disposition of Depreciable Property. Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)
- A.  Excluded from determination of sponsored agreements costs  
B.  Credited or charged currently to the same pools to which the depreciation of the assets was originally charged  
C.  Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved  
D.  Not accounted for separately, but reflected in the depreciation reserve account  
Y.  Other(s) 1 /  
Z.  Not applicable
- 4.4.0 Criteria for Capitalization. (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or sub category of assets involved which differs from those for the majority of assets.)
- A. \$3,000 Minimum Dollar Amount (effective 7/1/02)  
B. 1 Minimum Life Years

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4.5.0 Group or Mass Purchase. Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)

A.  Yes

B.  No

4.1.0 Depreciation Charged to Federally Sponsored Agreements of Similar Cost Objectives.

Asset Category **Equipment** is identified into seven classifications as stated below. Depreciation expense is computed on a straight-line basis using the full-year convention. This methodology is consistent with that used in the financial statements, and was implemented July 1, 2001. The categories and useful lives are as follows:

<i>Category</i>	<i>Useful Life</i>
- Computer Equipment	3
- Vehicles	4
- Scientific Equipment	7
- General Purpose	10
- Office Equipment	10
- Plant/maint equipment	10
- Furniture & Fixtures	15
- Fixed Equipment	15

The useful lives established in each asset category reflect the period of useful service and, as in accordance with OMB Circular A-21 (J.12), take into consideration such factors as the nature of the equipment, technological developments in the area, and renewal and replacement policies within the University for individual items or asset category.

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4.1.1 Asset Valuations and Useful Lives.

The asset valuations used in the indirect cost computation are identical to those used in the institutions financial statements. The useful lives vary slightly, but are, on average, consistent in their application to the total building structure. This is due to the fact that in the indirect cost proposal buildings are componentized into such categories as shell, roof, electrical, etc. as listed below, each with an assigned estimated useful life. This componentization is the result of a study performed on 32 of the University's over 200 buildings. Only those 32 buildings are included in the indirect cost rate. The components identified in the building depreciation schedule, and their estimated useful lives, are as follows:

<i>Component</i>	<i>Useful Life</i>
- Building shell	40
- Roof	40
- Roofing	10
- Partitions	20
- Electric Systems	20
- Plumbing	25
- Heating/Air Conditioning	20
- Public Access & Alarm	20
- Elevators	20
- Interior Finishes	15
- Exterior Finishes	15
- Fixed Equipment	(Use Allowance)
- Land improvements	25

In the University's financial statements, all buildings and structures are included and useful lives are determined separately for the categories: buildings, improvements and capital equipment not part of a specific building, as indicated below:

<i>Component</i>	<i>Useful Life</i>
- Buildings	30
- Improvements	20

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- Capital Equipment 10

The depreciation system for financial statement purposes was created with the implementation of the Financial Accounting Standard for depreciation in 1991. The basis for establishing the useful lives was the 1987 study done by the firm American Appraisals Associates which identified the components of 32 University buildings used in the indirect cost rate calculation. An analysis of the componentization study resulted in the above average useful lives which could be applied to all buildings on campus. The fiscal year 1987 was used as a starting point in determining remaining book value, with an average remaining useful life of 18 years. Since 1987, the University has maintained, on a building basis, the additions and deductions used to determine capital value.

**End of Part**

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**5.1.0** Method of Charging Leave Costs. Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s)).

- A.  Cash
- B.  Accrual

**5.2.0** Applicable Credits. This item is directed at the treatment of "applicable credits" as defined in Section C of Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled.)

- A.  The credits/receipts are offset against the specific direct or indirect costs to which they relate.
- B.  The credits/receipts are handled as a general adjustment to the indirect pool.
- C.  The credits/receipts are treated as income and are not offset against costs.
- D.  Combination of methods 1/
- Y.  Other 1/

1/ Describe on a Continuation Sheet.

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5.1.0 Method of Charging Leave Costs.

Charges for vacation, sick, and holiday costs are charged to sponsored agreements on a cash basis, that is, when taken or paid.

5.2.0 Applicable Credits.

Applicable credits are handled as a combination of methods (A) and (B), primarily dependent upon the timing and identification to a specific expenditure. Purchase discounts and payment discounts are applied as credits to the associated accounts at the time of payment to the vendor. This would apply to direct cost objectives such as sponsored agreements and to indirect cost objectives such as administration.

Credits such as library fines, insurance refunds, rental fees and other incidental receipts are recorded as income when received and then handled as an adjustment to the appropriate indirect pool when the indirect cost rate is calculated.

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Instructions for Part VI

This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the governmental unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to Federally sponsored agreements are material, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0 Pension Plans.

6.1.1 Defined-Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

	<u>Type of Plan</u>	<u>Number of Plans</u>
A. ____	Institution employees participate in State/Local Government Retirement Plan(s)	_____
B. <u>X</u>	Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution	<u>3</u>
C. ____	Institution has its own Defined Contribution Plan(s) <u>1/</u>	_____

6.1.2 Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

1/ Describe on a Continuation Sheet.

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|-----------------|---|
| 6.2.0           | <p><u>Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs).</u> (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)</p> <p>Z. <input type="checkbox"/> Not Applicable</p>   |
| 6.2.1           | <p>Determination of Annual PRB Costs. (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)</p>  |
| 6.3.0           | <p><u>Self-Insurance Programs (Employee Group Insurance).</u> Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input type="checkbox"/> When accrued (book accrual only)</p> <p>B. <input type="checkbox"/> When contributions are made to a nonforfeitable fund</p> <p>C. <input type="checkbox"/> When contributions are made to a forfeitable fund</p> <p>D. <input type="checkbox"/> When the benefits are paid to employee</p> <p>E. <input type="checkbox"/> When amounts are paid to an employee welfare plan</p> <p>Y. <input type="checkbox"/> Other or more than one method <u>1/</u></p> <p>Z. <input checked="" type="checkbox"/> Not Applicable</p>  |
| 6.4.0           | <p><u>Self-insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)</u></p>  |
| 6.4.1           | <p>Worker's Compensation and Liability. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input type="checkbox"/> When claims are paid or losses are incurred (no provision for reserves)</p> <p>B. <input checked="" type="checkbox"/> When provisions for reserves are recorded based on the present value of the liability. <b>The University also purchases an insurance policy.</b></p> <p>C. <input type="checkbox"/> When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability</p> <p>D. <input type="checkbox"/> When funds are set aside or contributions are made to a fund</p> <p>Y. <input type="checkbox"/> Other or more than one method <u>1/</u></p> <p>Z. <input type="checkbox"/> Not Applicable</p> |

1/ Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD

Revision No. 3, Effect Date: June 15, 2010

DISCLOSURE STATEMENT  
REQUIRED BY PUBLIC LAW 100-679

PART VI-  
DEFERRED COMPENSATION AND INSURANCE COSTS  
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6.4.2 Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

A. \_\_\_\_\_ When losses are incurred (no provision for reserves).

B. \_\_\_\_\_ When provisions for reserves are recorded based on replacement costs.

C. \_\_\_\_\_ When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructible items.

D. \_\_\_\_\_ Losses are charged to fund balance with no charge to contracts and grants (no provisions for reserves).

Y. \_\_\_\_\_ Other or more than one method. 1/

Z. X Not Applicable.

1/ Describe on a Continuation Sheet.

Item No.Item DescriptionContinuation Page

- 6.1.2 Defined-Benefit Pension Plan. The University has one defined benefit pension plan for its Dining Services and Facilities Management employees. It is a noncontributory defined benefit plan which provides pensions for eligible hourly paid employees of those units.

*(a) Actuarial Cost Method:*

The Plan is based upon the Projected Unit Credit actuarial cost method. Under this method, the normal cost (current service cost) is equal to the actuarial present value of benefits to be accrued during the plan year for active (and disabled) participants. The benefit accrued during the year is equal to the participant's projected benefit payable at retirement (based on projected earnings) divided by the number of years of service at retirement.

*(b) Asset Valuation Method:*

Assets are valued at fair market value.

*(c) Criteria for Changing Actuarial Assumptions and Computations.*

In selecting and modifying actuarial assumptions all relevant data is considered, including Brown's historical and emerging plan experience, historical statistical data, standard actuarial tables and studies, economic statistics and forecasts, etc. Furthermore, all relevant Actuarial Standards of Practice must be adhered to. These include "Measuring Pension Obligations" (Actuarial Standard of Practice No. 4) and "Selection of Economic Assumptions for Measuring Pension Obligations" (Actuarial Standard of Practice No. 27). Additional factors to be considered in setting actuarial assumptions include consistency among the various assumptions and the specific purpose of the measurement.

For accounting disclosure purposes, the interest discount rate is determined based upon rates of return on high-quality fixed income investments that would provide the necessary cash flows to pay future benefit obligations. The expected long-term rate of return on plan assets reflects the average long-term rate of expected earnings on the plan's investment portfolio. The salary increase rate reflects the projected future compensation levels of employees covered under the plan.

*(d) Amortization Periods for Prior Service Costs:*

Each prior service cost is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan, as of the date of the amendment.

Item No.Item Description**Continuation Page***(e) Amortization Periods for Actuarial Gains and Losses:*

Unrecognized gains and losses in excess of 10% of the greater of the market value of assets and the projected benefit obligation are amortized over the average remaining service period of active employees expected to receive benefits under the plan.

*(f) Funding Policy:*

Brown's policy is to make contributions for each plan year which are at least equal to the minimum contribution required under ERISA.

6.2.0 Post retirement benefits other than pensions.**(1) Plan 65 – Medicare Supplement Plan with Prescription Benefit**

- (a) Approximate number of employees covered – 66
- (b) Type of employees covered – Employees retiring before March 31, 1994.

**(2) HealthMate Coast-to-Coast (BCBSRI) or Choice Plus (UHC)**

- (a) Approximate number of employees covered – 37
- (b) Type of employees covered – Retirees age 55 or older with 10 or more years of service.

**Benefit:**

An employee meeting the eligibility requirements may remain enrolled in one of Brown's group health plans until age 65 (Medicare entitlement). The cost to the University under both plans is for the employee (retiree) only. Spouse and dependent coverage is not paid by Brown.

COST ACCOUNTING STANDARDS BOARD

**Revision No. 3, Effect Date: June 15, 2010**

DISCLOSURE STATEMENT  
REQUIRED BY PUBLIC LAW 100-679

PART VI  
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**End of Part**

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DISCLOSURE BY CENTRAL SYSTEM OFFICE, OR GROUP (INTERMEDIATE  
ADMINISTRATION) OFFICE, AS APPLICABLE.

Instructions for Part VII

This part should be completed only by the central system office or a group office of an educational system when that office is responsible for administering two or more segments, where it allocates its costs to such segments and where at least one of the segments is required to file Parts I through VI of the Disclosure Statement.

**NOT APPLICABLE TO BROWN**

The reporting unit (central system or group office) should disclose how costs of services provided by the reporting unit are, or will be, accumulated and allocated to applicable segments of the institution. For a central system office, disclosure should cover the entire institution. For a group office, disclosure should cover all of the subordinate organizations administered by that group office.

7.1.0 Organizational Structure.

On a continuation sheet, list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDC's), Government-owned Contractor-operated (GOCO) facilities, and lower-tier group offices serviced by the reporting unit.

7.2.0 Cost Accumulation and Allocation.

On a continuation sheet, provide a description of:

- A. The services provided to segments of the university or university system (including hospitals, FFRDC'S, GOCO facilities, etc.), in brief.
- B. How the costs of the services are identified and accumulated.
- C. The basis used to allocate the accumulated costs to the benefiting segments.
- D. Any costs that are transferred from a segment to the central system office or the intermediate administrative office, and which are reallocated to another segment(s). If none, so state.
- E. Any fixed management fees that are charged to a segment(s) in lieu of a prorata or allocation basis and the basis of such charges. If none, so state.

**End of Part**