

# **Alaska Department of Labor and Workforce Development**

## **Division of Employment and Training Services**



### **Subrecipient Contributions Information/Procedures**

**April 2017**

Equal Opportunity Employer/Program  
Auxiliary aids and services are available upon request to individuals with disabilities

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## Overview

The Division of Employment and Training Services (DETS) encourages grant applicants to identify contributions to support proposed projects requested in a solicitation for a grant award. This guide provides DETS subrecipients with information on providing contributions to supplement and enhance grant related projects.

Contributions by grant applicants and subrecipients demonstrate a high level of commitment to a project and may allow for more participants to receive services and/or additional related training to be provided.

DETS does not typically require matching funds in an award of public funds; however in instances where a formal match is required, DETS will provide applicants written guidance on the requirements governing the matching costs and how to properly account for those costs.

For competitive solicitations the Alaska Workforce Investment Board designates a committee to review, assess, and evaluate the proposals and make recommendations for funding to the Commissioner. Although the provision of a contribution is not a requirement for submitting an application or receiving an award, the review committee may view more favorably those proposals that include a contribution it demonstrates a high level of commitment to the project by the applicant.

Contributions are subject to audit or other reporting requirements.

## Types of Contributions

A contribution is defined as cash; in-kind or leveraged funds; and the use of a subrecipient's facilities and equipment to increase the level of support provided to the project.

A subrecipient contribution:

- a. must be necessary and reasonable to accomplish the project objectives;
- b. funds can be used where the statute or regulation authorizing a program specifically indicates funds can be applied to matching or cost sharing requirements;
- c. cannot be from program income;
- d. must be a cost that would be allowable if the subaward were to pay for it;
- e. must be used for only one grant project and not be a contribution under another grant project; and
- f. be documented and verifiable in the subrecipient's records.

Subrecipient contributions must be provided during the period of performance of the subaward and cannot be for costs that are not allowable, such as alcoholic beverages or entertainment, which are prohibited under the division's [Allowable Costs Policy 07-520](#).

## **Cash Contributions**

Cash contributions are valued at the direct dollar amount that is specifically contributed to the subaward project and is provided by the recipient's funds such as the organization's general fund, member contributions, or other donated funds.

Cash paid from subrecipient's funds for goods or services provided in support of subaward activities may be identified as a cash contribution. There must be separate accounting codes for these expenditures so they are clearly and separately identified in the subrecipient's accounting system as being cash contributed to support the subaward.

If a cash contribution is used for personal services, the subrecipient's employees must maintain timesheets that document the amount of time the individual works on the project both as a part of the subaward and as part of the cash contribution. Timesheets should show the actual hours worked on a daily basis, usually in increments of no less than 15 minutes.

## **In-Kind Contributions**

Subrecipient in-kind contributions are services provided by volunteers or goods and materials donated or provided by an organization or individual other than the subrecipient to support the activities funded by the subaward. In-kind contributions should not be claimed as contributions on other state or federal grants.

### **In-Kind Contribution - Personal Services**

The determination of the provision and valuation of in-kind personal services is dependent upon several different factors, including:

- a. if the individual is employed by the subrecipient or is employed by another organization;
- b. if the services provided fall within the regular duties of the individual or are other duties or activities;
- c. if the services are paid or not paid by the subrecipient or another organization;
- d. if the services are provided during the individual's normal working hours or are outside of those working hours; and
- e. if the individual is overtime exempt or overtime eligible under the Fair Labor Standards Act (FLSA).

The factors above determine whether the provision of the personal services is considered an in-kind contribution, cash contribution, or leveraged funds. See [Contributions from Personal Services](#) for additional information.

In-kind personal services must be based on the fair market value of the services being provided and should be based on the prevailing wage and benefit rate in the local community for the type of work being performed on subaward activities. The subrecipient must document the fair market value of the contributed personal services, including how those amounts were determined.

The value of in-kind personal services must be for the type of activities performed. For example, if an attorney contributes time to the subaward doing clerical work, the in-kind service should be valued at the fair market value of secretarial or clerical services, not at the rate of an attorney. However if an administrative manager works on the project by providing assistance in budgeting, then it is appropriate to value the contributed services at the pay rate of the administrative manager if budgeting is a normal part of the manager's responsibilities.

For in-kind contributions of personal services, the individual should not be paid for time worked on the project by either the subrecipient or the individual's normal employer. In-kind personal services should be voluntary and uncompensated. If the personal services are compensated, this might be considered a cash contribution or leveraged funds, rather than in-kind contribution.

The documentation maintained for in-kind personal services contributions should be the same as that maintained for the expenditure of subaward funds for personal services. There should be some form of documentation that records the amount of time the individual worked on subaward related activities, such as a timesheet signed by the individual.

If an individual provides services in activities with different fair market values, records must be maintained to document the amount of time spent on each activity. For example, if an individual contributes time doing planning work and secretarial work, such as copying documents for a meeting, these two activities should be valued at different rates per hour. Documentation is needed to record the amount of time the individual spent in both activities, as well as the calculation of the value of those services.

If the in-kind personal services are provided by someone who is not an employee of the subrecipient there should be documentation to demonstrate the volunteered time was provided outside of the person's normal working hours and/or normal job responsibilities. If the time spent working on the subaward was during the person's normal working hours and the individual was compensated for the work, the contribution should be claimed as leveraged funds rather than an in-kind contribution. The time of federal employees on duty cannot be claimed as an in-kind contribution.

If the person for whom in-kind personal services are being claimed is an employee of the subrecipient and is overtime exempt under the Fair Labor Standards Act (FLSA), documentation should be maintained to demonstrate that the activities engaged in are not a part of the employee's normal duties. If the employee is overtime exempt, then any amount of time engaged in subaward related activities that falls within the employee's normal duties would not count as an in-kind contribution, since the employee would be providing the work as a part of their normal responsibilities even if provided outside of the employee's normal working hours. If the subaward related activities are not a part of the employee's normal job responsibilities, then this can be considered an in-kind contribution, provided the activities occurred outside the employee's normal working hours. In this instance, the employee's time working on subaward activities could be

considered voluntary and uncompensated, as the activities were not job related.

If the subrecipient employee is FLSA overtime eligible, the employee's subaward activities would have to fall outside of the employee's normal working hours and job responsibilities to be considered an in-kind contribution. If the employee completes work outside of normal working hours and the work activity falls within the individual's job responsibilities, the individual should be paid overtime and the hours should not be counted as an in-kind contribution. If the overtime was paid with funds other than the subaward from DETS, this might be considered either a cash contribution or leveraged funds, depending on the source of funds paying the overtime.

### **In-Kind Contribution - Goods and Materials**

If the subrecipient receives donated supplies or other materials documentation must be maintained of the fair market value of those supplies or materials. If the supplies or materials are new the valuation is based upon the purchase price of the materials. If the materials are used then the fair market value is based on information concerning what comparable used materials would cost in the local market. The subrecipient must maintain documentation supporting the determination of the value of the contributed goods or services.

The donated supplies or materials can only be claimed as a contribution to the extent to which they are used to directly support the subaward activities. For example, if 100 textbooks are donated to support the training, but only 55 textbooks are used in the training, then the contribution would be limited to the value of the 55 textbooks actually used.

### **Leveraged Funds**

In certain circumstances, the subrecipient or another organization may receive grants or other funding that can be redirected to meet or support the activities of the subaward. For example, the subrecipient may have grants or other funding that have existing activities that support, in whole or in part, the activities funded by the subaward from DETS. The value of these redirected activities may be considered leveraged funding.

If the subrecipient or another organization is redirecting the activities provided through another grant or funding source to support the DETS' subaward, the subrecipient must document the amount of the other grants or funds that were redirected. When the subrecipient is leveraging its other grants or funds the use of a separate accounting code or a sub-account code can be used for documenting the leveraged funds. If the leveraged funds are from another organization the subrecipient must maintain adequate documentation of how the valuation of those leveraged funds was determined.

If existing grants or other funding sources fully support the DETS subaward activities the subrecipient can report the total amount expended under the other grants or funds as leveraged funds during the period of performance of the subaward.

If only a portion of existing grants or other funding sources support DETS' subaward, the

subrecipient must establish a method for determining how much of the other grants or funds were used to support the subaward. The valuation of the contribution would be the costs associated with the activities of the other grants or funds that supported the subaward.

## **Facilities and Equipment**

There are two types of costs by which Facilities and Equipment may be accepted as subrecipient contribution: a) the value of the asset being provided, and b) the value of the cost of operating and maintaining the asset during the life of the subaward.

Rental costs are allowable when the rates are reasonable in light of such factors as the:

- a. rental costs of comparable property, if any;
- b. market conditions in the area;
- c. alternatives available; and
- d. type, life expectancy, condition, and value of the property leased.

[Examples of these contributions](#) and how they are calculated are provided at the end of this document.

If the subrecipient uses its own equipment or facilities for the project the value of such equipment or facilities can only be used as a contribution if the equipment or facilities were purchased with the subrecipient's funds and not through other state or federal grant funds.

Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would be allowed had the non-Federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

The fair market value of the contribution of the equipment or facilities can only be used if the equipment or facilities have not been used as match or contribution on other state or federal subawards.

The maintenance and operating costs of facilities and equipment can be provided through cash contributions, in-kind contributions, and leveraged funds.

When rental costs of comparable property is not available two methods for determining the value of the Facility or Equipment being provided is: a) the depreciation method, or b) the use allowance method.

The depreciation method determines the value of the facilities and equipment being provided to the subaward by determining the amount of depreciation expense associated with the asset during the time it supports subaward related activities.

To calculate the depreciation expense the subrecipient must document the amount of time the

facilities or equipment is used to support the subaward activity. For facilities the subrecipient must also document the percentage of the facility's area that was used for subaward related activities.

If the subrecipient annually completes a depreciation schedule for its physical assets that rate of depreciation may be used for valuing the appropriate share of the contribution. Otherwise the subrecipient must use a straight line depreciation calculation which is the acquisition cost of the asset divided by the number of years of its useful life. The amount of depreciation expense must be adjusted for the actual amount of use for subaward related activities.

If the facilities and equipment are fully depreciated during the period of performance only the proportionate share of the depreciation up until the time when the asset is fully depreciated can be claimed as a subrecipient contribution. No contribution can be claimed for facilities and equipment that have been fully depreciated.

The application of the use allowance methodology is dependent upon whether the asset being claimed as a contribution is a facility or equipment. For a facility the use allowance method allows for two percent (2 percent) of the cost of the facility and any improvements to be used to calculate the contribution. For equipment six and two-thirds percent ( $6\frac{2}{3}$  percent) of the acquisition cost of the equipment may be claimed as a contribution. Both of these calculations are for the full use of the facilities or equipment for a complete year. These amounts need to be adjusted for actual use on subaward related activities for the subaward period of performance.

The subrecipient may also claim as a contribution normal operations and maintenance costs for facilities and equipment. These operation and maintenance costs might include facility utilities, insurance, janitorial services, fuel to operate heavy equipment, etc. These operations and maintenance costs need to be proportionately adjusted to represent only the time the facility or equipment was used in support of the subaward and for a facility, only the area used for the subaward activities.

The use of facilities and equipment as a contribution to support subaward activities must be documented and clearly indicate the days and times in which the equipment was used for subaward related activities. For facilities, the subrecipient should document the days, times, and what part of the facilities were used for subaward related activities. A contribution can only be claimed for the portion of the facility that was used for subaward activities.

## Records Retention

Documentation to support the amount of subrecipient contribution, including the calculation of how those amounts were determined or valued is a part of the subaward records and must be maintained in accordance with the record retention requirements specified in DETS' subaward.



## Reporting

When an applicant includes contributions in their grant application and receives an award, DETS will include the contribution amounts in the budget of the award agreement. During negotiation of the award budget any request by the subrecipient to reduce the amount of the contribution from the amount included in the award application must be explained.

Award contributions must be adequately documented and accounted for in the subrecipient's accounting system and records and report the provision of contributions to DETS. This reporting may be made with periodic reimbursement requests, quarterly financial accrual reports or at the end of the award. DETS staff may monitor the provision and documentation of the contribution.

Failure of a subrecipient to provide the negotiated contribution amount by the end of award period may be considered by DETS as failure to meet the full terms and conditions of the award agreement. Failure to meet award agreement terms and conditions may be taken into consideration by a review committee making recommendations for future award of public funds.

## Responsibilities

Subrecipients are responsible for determining their capacity to provide a contribution to an project and if desired, include the contribution amount in an application for consideration of an award. If the subrecipient receives an subaward and has indicated a contribution they must:

- a. negotiate the amount of contribution included in a award agreement;
- b. ensure the agreed upon contribution amounts are provided in accordance with the award budget;
- c. adequately document contribution amounts provided in support of the award;
- d. submit reports on contribution amounts provided in support of the award; and
- e. respond to requests from DETS' to provide documentation or other information in support of the reported contribution amounts.

DETS' staff are required to:

- a. negotiate the amount of subrecipient's contributions to be included in the award budget;
- b. review and approving any reports submitted by subrecipients that identify the contribution amounts provided in support of the award;
- c. monitor and assess for adequacy the documentation maintained by the subrecipient;
- d. ensure contributions were properly valued and provided in accordance with the subaward agreement; and
- e. advise review committee members, when applicable, of the success or failure of an subrecipient to provide negotiated contribution amounts in previous subawards.

## Definitions

- **Acquisition cost** is the total cost associated with purchase or construction of a facility or the purchase of equipment. For facilities, acquisition cost should not include the cost of the land upon which the facility stands. For equipment, acquisition cost includes the cost of the equipment and any additions or accessories included at the time of purchase, and includes the cost of delivery to the place of use and any costs to install or set up the equipment for use.
- **Applicant** is an organization or entity that submits an application or proposal for award funding to DETS. Applications are typically submitted in response to a solicitation for a competitive or designated award issued by DETS.
- **Assets or tangible assets** are facilities or equipment owned or used by the subrecipient.
- **Cash contribution** is the amount of money a subrecipient provides or expends from its own funds in support of the activities conducted under the subaward.
- **Competitive solicitation** occurs when DETS issues a request for grant applications for one of its training and employment programs inviting interested parties to prepare and submit applications for consideration of an award.
- **Depreciation** is allocation of the cost of an asset over its useful life. The amount of depreciation must be computed via a generally accepted method taking into account the date of the acquisition, the cost of the asset and the asset's useful life. DETS will accept, as a subrecipient contribution only that part of the depreciation that is proportionate to the use of the asset for subaward activities. Once a depreciation methodology is used for calculating a contribution, it may not be changed unless approved in advance by DETS.
- **Equipment** is an item of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost equal to or greater than \$5,000.
- **Fair market value** is the valuation of in-kind or donated goods or services based upon what it would cost an organization if it had to pay for comparable new or used goods or services.
- **Operating costs** are the costs that are incurred by an organization in order to use a facility or piece of equipment and can include the costs required to maintain the facility or equipment in usable condition.
- **Period of performance** is the interval of time specified by beginning and ending dates of the subaward.
- **Subaward** is all of the documents included in the contractual agreement between the DETS and a subrecipient and includes Reimbursable Services Agreements (RSAs) with other state agencies.
- **Subrecipient** is the organization specified in a subaward or RSA as the recipient of the grant funds.
- **Subrecipient contribution** is the value of the additional resources provided in direct support of the activities funded through a subaward from DETS and may include cash, in-kind contributions, leveraged funds, or the use of facilities and equipment.
- **Supplies** are tangible, expendable property with a per unit value of less than \$5,000 and that have an expected life of one year or less. Supplies are items that are expected to be used or

consumed within one year of purchase or donation.

- **Use allowance** is a methodology that can be used in lieu of depreciation for claiming facility and equipment costs as contributions.
- **Useful Life** is the number of years over which an asset, such as a facility or equipment, is expected to be usable with normal repairs and maintenance.

## References

[Federal Regulations 2 CFR 200;](#)

[Workforce Innovation and Opportunity Act Public Law 113-128;](#)

[State Training and Employment Program \(STEP\) Alaska Statute 23.15.620 \(a\);](#)

[Technical and Vocational Education Program \(TVEP\) Alaska Statute 23.15.840 \(a\)\(3\)](#)

## Examples of Subrecipient Contribution Calculations

### Contributions from Personal Services

		Paid for Services			Not Paid for Services		
		Normal Working Hours	Not Normal Working Hours		Normal Working Hours	Not Normal Working Hours	
			FLSA Exempt	FLSA Eligible		FLSA Exempt	FLSA Eligible
Employee	Regular Duties	Cash or Leverage	Cash or Leverage	Pay OT <sup>1</sup>	In-kind	In-kind	Pay OT
	Other Duties	Cash or Leverage	Cash or Leverage	Cash or Leverage	In-kind	In-kind	In-kind
Non-Employee	Regular Duties	Cash or Leverage	Cash or Leverage	Cash or Leverage	In-kind	In-kind	In-kind
	Other Duties	Cash or Leverage	Cash or Leverage	Cash or Leverage	In-kind	In-kind	In-kind

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<sup>1</sup> Over Time

## Facility Contribution - Depreciation Method

Total Cost of Facility Construction	\$1,500,000
Estimated Useful Life of the Facility	30 years
Annual Deprecation Amount – Straightline (\$1,500,000 divided by 30 years)	\$50,000/yr.
Monthly Depreciation Amount (\$50,000 per year divided by 12 months)	\$4,167/mo.
End Date of Facility Construction	February 2000
Depreciated Amount as of July 1, 2012 (12 years times 12 months is 144 months plus 4 months is 148 months times	\$616,716
Depreciation Balance as of July 1, 2012 (\$1,500,000 less \$616,716)	\$883,284
Number of months of depreciations remaining (\$883,284 balance divided by \$4,167 per month)	212 mo.
Total Square Footage of Facility	20,000 sq. ft.
Monthly Depreciation Amount Per Square Foot (\$4,167 divided by 20,000 square feet total)	\$0.208/sq. ft.
Square footage used for the DETS Subaward Activities	5,030 sq. ft.
Monthly Depreciation Amount for the DETS' Subaward Activities (\$0.208 per square foot times 5,030 square feet)	\$1,046/mo.
Number of months of the DETS' subaward period of performance	8 mo.
Total Facility Contribution (\$1,046 per month times 8 months)	\$8,368

**Explanation:** In this example, the subrecipient does not use an alternative depreciation method so depreciation is calculated using the straight line method over a useful life of 30 years. This calculation determines that there is still a balance of depreciation remaining on the facility. The monthly depreciation amount is calculated for the entire facility and is then adjusted to reflect only the amount of the facility that is used for the DETS' subaward activities, or 5,030 square feet. The monthly depreciation amount for the DETS' subaward activities is applied to the number of months of the subaward for the total contribution from the value of the facility.

## Facility Contribution - Use Allowance Method

Total Cost of Facility Construction	\$2,300,000
Use Allowance per Year (2 percent times acquisition cost of \$2,300,000)	\$46,000/yr.
Monthly Use Allowance (\$46,000 per year divided by 12 months)	\$3,833/mo.
Total Square Footage of Facility	16,750 sq. ft.
Monthly Use Allowance per Square Foot (\$3,833 divided by 16,750 square feet)	\$0.229/sq. ft.
Square footage used for the DETS' Grant Activities	1,370 sq. ft.
Monthly Use Allowance for the DETS' Grant Activities (\$0.229 per square foot times 1,370 square feet)	\$314/mo
Daily Use Allowance for the DETS' Grant Activities (\$314 divided by 31 days in October 2012)	\$10.13/day
Number of days facility used for the DETS' Grant Activities	21
Facility Use Allowance Contribution (21 days times \$10.13 per day)	\$212.73

**Explanation:** In this example, the use allowance Method is based upon 2 percent of the acquisition cost of the facility. This per year amount is converted to a monthly amount and then to a monthly amount per square foot. The amount of square footage used to support the DETS' subaward is multiplied by the monthly square footage amount. In this example, the facility is only used for 21 days of training, so the monthly amount is converted to a daily amount and multiplied by 21 days to determine the contribution amount, \$212.73.

## Equipment Contribution - Depreciation Method

Total Acquisition Cost of Computer Network	\$35,000
Estimated Useful Life of Computer Network	3 years
Annual Depreciation - Straight line (\$35,000 divided by 3 years)	\$11,667/yr.
Monthly Depreciation (\$11,667 per year divided by 12 months)	\$972/mo.
Date Computer Network Acquired	December 2009
Start Date of the DETS' Subaward	October 2012
Total Number Months Depreciated at Start of Subaward (January 2011 through September 2012)	33 months
Total Depreciation as of Start of the DETS' Subaward Activities (\$972 per month times 33 months)	\$32,076
Remaining Depreciation (\$35,000 less \$32,076)	\$2,924
Remaining Months Computer System can be depreciated (\$2,924 divided by \$972/mo)	3 mo.
The Division's Subaward Period of Performance	October 2012 through May 2012
Percent of Computer Network Usage attributable to the DETS' Subaward Activities	35 percent
Monthly Depreciation attributable to the DETS' Subaward Activities (\$972 times 35 percent)	\$340/mo.
Monthly Depreciation related to the DETS' subaward times 3 months remaining to be depreciated is Equipment Contribution Allowed	\$1,020

**Explanation:** In this example, the subrecipient is using the value of a computer network and the depreciation method as a contribution. Equipment will generally have a much shorter expected useful life than facilities. For this example, the estimated life of the computer system is three years. Given the short life of the equipment, it is important to determine when the equipment will be fully depreciated. Once fully depreciated, the value of the asset cannot be claimed as a contribution to the subaward. In this example, only three months remain before the computer system is fully depreciated, and only the proportionate share of the depreciation for those three months can be claimed as a contribution.

## Equipment Contribution -Use Allocation Method

Acquisition cost of Scaffoldin2 used by Training Center	\$20,000
Yearly Use Allowance at 6.67 percent of Cost	\$1,334/yr.
Monthly Use Allowance (\$1,334 divided by 12 months)	\$111/mo.
Number of months used for the DETS' subaward activities.	6 mo.
Total Use Allowance during ti.me of the DETS' subaward (\$111 per month times 6 months)	\$666
Percent usage attributable to the DETS' Subaward Activities (40 subaward participants divided by 50 total participants trained)	80 percent
Equipment Contribution on the DETS' Subaward (\$666 times 80 percent)	\$533

**Explanation:** As noted in this document, the use allowance method provides that equipment value can be calculated at 6 and 2/3 percent of the acquisition cost of the equipment. In this example, the annual use allowance of \$1,134 is converted to a monthly amount of \$111 per month. The number of months the equipment is used for the DETS' subaward is determined and the total use allowance during that ti.me is calculated. This total use allowance is then adjusted for the percent of use attributable to the DETS' subaward. For example, if the subrecipient uses the scaffolding for 6 months to train 50 persons and only 40 are participants under the DETS' subaward, then the appropriate percentage associated with the DETS' subaward is 80 percent. The total use allowance is then adjusted by the percent of use attributable to the DETS' subaward activities to yield the value of the equipment contribution, \$533.



## Facility Operations Cost Calculation

Facility Costs Per Month		
Electricity	\$375	
Heating	\$750	
Janitorial	\$125	
Total Monthly Facility Costs		\$1,250
Total Square Footage of Facility		20,500 sq. ft.
Monthly Facility Costs Per Square Foot (\$1,250 divided by 20,500 sq. ft.)		\$0.061
Square Footage Used by the Division's Subaward Activity		14,075 sq. ft.
Facility Cost for the DETS' Subaward Activity Per Month (\$0.061 per sq. ft. times 14,075 sq. ft.)		\$859/mo
Number of Months of the DETS' Subaward		7 mo.
Facility Operation Cost Contribution (\$859 subaward cost per month times 7 months)		\$6,013

**Explanation:** In addition to the value of the facility or equipment being provided to support subaward activities, a subrecipient may also claim as a contribution the costs associated with operating that facility or equipment for subaward related activities. In this example, the subrecipient's facility has facility operating costs of electricity, heating and janitorial services. These monthly costs are converted to an average monthly cost per square foot. The subrecipient can only claim monthly operating costs for the portion of the facility used to support the DETS' subaward. The monthly operating cost associated with the DETS' subaward activities is multiplied by the number of months of the subaward to yield the facility operations costs that can be claimed as a contribution, \$6,013.