



# **ELIGIBLE COST GUIDELINES**

Alberta Wildfires 2023

Indigenous Community Recovery and Resilience Grants

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## Understanding eligible costs

**Important:** The Canadian Red Cross can only approve costs that are demonstrated as eligible costs in accordance with these Eligible Cost Guidelines. In addition to reviewing the proposed project budget as part of the application process, the Canadian Red Cross will review the financial reports and supporting documentation of funded projects to ensure the eligibility of costs and expenditures.

To be considered eligible costs for projects funded by the Canadian Red Cross, expenses must be

- ✓ directly attributable to the project,
- ✓ in furtherance of project activities and outcomes,
- ✓ reasonable,
- ✓ actually and properly incurred, and
- ✓ in line with these Eligible Cost Guidelines and the terms of the agreement.

All eligible expenses need to be verifiable, detailed and supported by proper documentation. Reimbursement by the Canadian Red Cross will be based on actual expenditures incurred, as supported by the relevant source documents (for example, receipts).

## Ineligible costs across categories

As a charitable, humanitarian organization, there are some costs that the Canadian Red Cross is unable to fund.

In addition to the list below, consult the common ineligible costs listed under each budget category in the following sections.

The following costs are considered ineligible costs and, therefore, they are not eligible for reimbursement by the Canadian Red Cross:

- Expenses covered by another funding source
- Gift cards, gifts, prizes and/or incentives for participation
- Costs or expenses for entertainment
- Equipment purchases exceeding \$10,000 per functional unit
- Purchase of land or buildings, real estate fees and related costs
- Training for personnel not dedicated to the project
- Taxes for which an organization is eligible for a tax rebate
- Alcohol or cannabis
- Individual membership fees for private clubs (for example, golf clubs, gyms)
- Costs associated with profit-making activities

**Note:** This list is not exhaustive. The Canadian Red Cross will review the budgets and financial documentation of funded projects to ensure alignment with the principles of these Eligible Cost Guidelines.

## Eligible costs and budget categories

This section sets the rules and parameters for eligible costs in each of the eight budget categories below:

1. Personnel—Wages and employment-related costs
2. Honoraria
3. Contractors—Fees for professional services
4. Materials and supplies
5. Equipment and technology
6. Travel and transportation
7. Other activity costs
8. Administrative costs

To be considered eligible costs, costs and expenditures must comply with the parameters set out herein for each budget category, as well as the characteristics of eligible costs listed earlier.

Each budget category section below includes the following:

- An explanation of the purpose of the category
- The **eligible costing rate** for costs in that category
- ✓ Common eligible costs in the category
- ✗ Common ineligible costs in the category
- 📄 **Supporting documentation** that must be retained over the course of the project. The Canadian Red Cross may request documentation at any time to substantiate the eligibility of costs. Furthermore, you must hold on file all original source documentation for the project for **seven years** in case of audit.

## 1. Personnel—Wages and employment-related costs

This budget category represents the cost of personnel, payroll and other compensation for **employees** working on activities to achieve the project's outcomes. Salary costs and benefits or hourly wages for individuals employed to work on activities directly related to the project objectives are eligible expenditures.

Any person working on the project who is **covered by the organization's employee policies** should be reflected in this cost category.

**Eligible costing rate:** Actual sums paid to employees (including permanent, temporary or short-term employees) in accordance with the organization's usual pay scales and practices for personnel required by the organization to carry out the project activities. This sum should reflect the total cost of an employee, including vacation pay and benefits, as well as the organization's standard contributions for benefits as required by company policy or collective agreement.

### ✓ Common eligible costs

- **Salary:** Actual and justifiable salaries for personnel required by the organization to carry out the project. If only a percentage of an individual's time is required, this must be reflected in the budget. The total value in the budget includes the following:
  - **Direct salaries:** Actual and justifiable sums paid by the organization to employees in accordance with the organization's pay scales as regular salary, excluding overtime pay and bonuses. Rates shall be in accordance with local laws and practices, including the local market rate of remuneration.
  - **Fringe benefits:** In accordance with the organization's policies as follows:
    - Time-off benefits: Allowable number of days to be paid by the organization for statutory holidays, annual vacation and sick leave.
    - Paid benefits: Actual sums paid by the organization for paid benefits. The organization's contribution to employment insurance and workers' compensation plans (where applicable), health and medical insurance, group life insurance, pension plans or other mandatory government benefits.
- **Overtime:** Overtime is permissible in accordance with the organization's human resources procedures, provided it is required for implementation of the project and is evidenced by documentation.

### ✗ Examples of common ineligible costs

- Bonuses or additional remuneration
- Redundancy costs
- Severance costs

**Note:** This list is not exhaustive.



### Examples of supporting documentation that must be retained

- Time management and/or tracking records such as timesheets
- Payroll documentation and/or general ledger showing personnel expenses
- Documentation of honoraria paid
- Other, similar documents

## 2. Honoraria

This budget category represents the costs of nominal payments to non-employees in recognition of their contributions to the project and are required to achieve the project purpose.

**Eligible costing rate:** Actual reasonable costs that demonstrate gratitude for contributions to a project

### ✓ Common eligible costs

- **Honoraria** where it is considered a cultural norm; for example, for Indigenous Elders and Knowledge Keepers

### ✗ Examples of common ineligible costs

- Financial incentives to participate
- Gift cards



**Examples of supporting documentation** that must be retained

- Documentation of honoraria paid to whom and for what purpose as it relates to the project
- Other, similar documents

## 3. Contractors—Fees for professional services

This budget category represents the cost of consultants, advisors and specialized professional service providers who are not personnel of the organization but are required to achieve the project purpose and activities. A professional service provider is an individual who has significant training, qualifications and expertise in a professional, scientific, technical or managerial field and who provides a service to the organization for the project.

Note that contractors are self-employed, and as such, do not receive benefits from the organization and are responsible for their own taxes and invoicing against the contract. Furthermore, contractors are expected to have their own equipment, technology or other materials required for the work.

**Eligible costing rate:** The actual fair market cost of contractors' fees under a service contract, supported by a fair and open procurement process or multiple quotes.

- **Individual rates or amounts negotiated shall not exceed the fair market value** that applies to the specific type of service in the regular place of work of the contractor or for similar work being performed under this agreement and shall exclude increased rates for overtime. This must be evidenced by an assessment of fair market value (such as multiple quotes or having a fair and open tender).
- **Contractors should be arm's length from the organization and its personnel.** "Arm's length" means there is no connection between the organization or its personnel and the vendor/contractor. A connection could result in a personal interest that would affect the perception of the procurement and tendering process. For example, an organization is "Not arm's length" when the organization is related to the contractor. In the case of a contractor that is a corporation or company, contractor personnel would be related to that company or corporation if a) the personnel controls the corporation; b) the personnel is a member of related group that controls the corporation; or c) the personnel is a person who is related to a person who controls the corporation or is a member of a related group that controls the corporation.

## ✗ Examples of common ineligible costs

- Fees for contractors who are not demonstrably arm's length from the organization and its personnel
- Tender costs to secure services
- Statutory and employee benefits (as professional service providers are contracted and not employees of the organization)
- Fees that exceed fair market value
- Increased fees for overtime not covered by the contract with the professional

**Note:** This list is not exhaustive.



### Examples of supporting documentation that must be retained

- Procurement records for tender/RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable
- Contract with contractors, purchase orders (PO), invoices and receipts for payment
- Other, similar documents

## 4. Materials and supplies

This budget category represents the **consumable** materials and supplies, including traditional medicines or other supplies needed for ceremonies, that are critical for successful delivery of the project. It must be clear how these materials are required and directly linked to project activities.

**Eligible costing rate:** Actual and reasonable costs of materials and supplies purchased for the project, supported by source documentation (receipts, invoices, purchase orders, etc.), provided that such costs do not exceed the fair market value that applies to the specific type of materials and supplies. As with other costs, evidence of fair market value and corresponding due diligence must be kept on file with good record-keeping practices.

Note that general office supplies are usually accounted for under the Administrative costs contribution and should not be included here. However, if your project is delivering activities that require additional dedicated consumable materials and supplies for project activities, for example workshop materials, you may include those here.

## ✗ Examples of common ineligible costs

- Gift cards
- Disbursement of financial assistance or non-material support for individuals/clients (for example, personal rent coverage, utilities or internet subscriptions)
- Contests, prizes, awards, trophies, plaques, promotional items or similar materials

**Note:** This list is not exhaustive.



### Examples of supporting documentation that must be retained

- Receipts for purchases
- Procurement records for tender/RFP/RFQ for larger purchases or supplier contracts and sole-sourcing forms if applicable
- Documents supporting justification of fair market value (price or quote comparisons, etc.)
- Due diligence on fair market value costs (research and seeking multiple quotes), including justification that the supplier chosen offers fair market value compared to other quotes
- Contract with contractor, purchase orders (PO), invoices, receipts
- Other, similar documents

## 5. Equipment and technology

This budget category is used to itemize actual, real and fair market value for equipment purchased for the project that is **required for the organization to meet the project purpose**.

**Eligible costing rate:** Actual and reasonable costs of equipment, supported by source documentation (receipts, purchase orders, etc.). As with other costs, evidence of fair market value and corresponding due diligence should be kept on file (for example, multiple quotes). Project equipment should be purchased using the organization's procurement policies, provided such practices comply with this document and the Agreement.

To be an eligible cost, the equipment **must be newly acquired during the project term** specifically for the project. The use of **existing** equipment would represent an indirect cost, which the Administrative costs category is intended to contribute to.

Organizations are required to retain a listing of equipment purchased, which must be readily available on request.

### ✗ Examples of common ineligible costs

- Major capital investments in equipment and technology
- Purchases that exceed \$10,000 per functional unit
- Equipment, inventory or technology that is not newly acquired for the project
- Extended warranties for equipment

**Note:** This list is not exhaustive.



### Examples of supporting documentation that must be retained

- Procurement records for tender/RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole-sourcing forms if applicable
- Contract with contractor, purchase order (PO), invoices, receipts
- Asset listing and identification of current location of items
- Handover certificates or records if applicable at the end of the project term
- Other, similar documents

## 6. Travel and transportation

This budget category is used to capture expenses for travel that is directly related to the project and required to carry out the project purpose. To ensure travel costs are equitable across projects, the Canadian Red Cross aligns with the Travel Directives and Special Travel Authorities set by the [National Joint Council of the Public Service of Canada](#) (NJC).

**Eligible costing rate:** Travel costs actually and reasonably incurred by the organization in accordance with the organization's usual policies and practices, provided they do not exceed the rates set in the Travel Directive and Special Travel Authorities of the NJC set for the province.



## ✓ Common eligible costs

- **Meals, incidentals and mileage:** The cost of meals, incidentals and mileage for private (personal) vehicle use, in accordance with the meal, incidental and private vehicle allowances specified in Appendices B, C and D of the Travel Directive. (See [www.njc-cnm.gc.ca/directive/travel-voyage/index-eng.php](http://www.njc-cnm.gc.ca/directive/travel-voyage/index-eng.php).) These costs are sometimes referred to as “per diems.” Per diems may be provided to personnel or to volunteers and are intended to cover costs incurred while undertaking project-related activities.
- **Accommodation:** The actual and reasonable cost of a single room in commercial accommodation or, when private non-commercial accommodation is used, the rate for such accommodation, in accordance with Appendix C of the Travel Directive.
- **Transportation:** This can include the cost of airfare, taxis, car rentals and mileage on vehicles already owned by the organization.
  - **Airfare:** The cost of commercial transportation based on the lowest available fares, using the most direct routing.
    - The organization shall endeavor to obtain the lowest possible airfare, such as by booking the reservation as early as possible. The standard for air travel is economy class, including APEX, charters and other reduced or discounted fares.
    - Canadian Red Cross will reimburse at the lowest airfare available at the time of reservation but never for more than the maximum of a full-fare economy airfare.
    - The organization must be able to demonstrate with proper supporting documentation deemed satisfactory to Canadian Red Cross, the lowest fare available at the time of reservation.

## ✗ Examples of common ineligible costs

- Travel insurance (health, cancellation, baggage, etc.)
- Seat upgrades and seat selection
- Flight cancellation costs
- First class or business class travel
- Alcohol
- Per diems or claims more than the NJC standards
- International travel, including the USA

**Note:** This list is not exhaustive.

### Examples of supporting documentation that must be retained

- Travel expenses claim forms (for per diem and reimbursement), original receipts for expenditures, or justification/due diligence for fair market value
- Records justifying flight changes
- Other, similar documents

## 7. Other activity costs

This budget category is used to capture all other expenses for successfully implementing project activities. This includes, but is not limited to, venue rentals, refreshment costs and subscriptions.

**Eligible costing rate:** Actual and reasonable costs arising from the elements required for the successful implementation not captured elsewhere, provided they do not exceed the fair market value for each element.

### ✗ Examples of common ineligible costs

- Fundraising events
- Events where the organization is making a profit
- Promotional items (T-shirts, hats, pens, etc.)
- Contests, prizes, awards, trophies, plaques or similar materials

**Note:** This list is not exhaustive.



### Examples of supporting documentation that must be retained

- Rental agreement for space or venue
- Procurement records for tender/RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole-sourcing forms if applicable
- Other, similar documents

## 8. Administrative costs

The project budget should include all **direct costs** for your project. Direct costs are traceable and distinct from the organization's normal operating costs. In other words, they are the new or additional resources needed to successfully achieve the project purpose.

The Administrative costs category may also be referred to as **overhead, indirect costs or management costs**. The Canadian Red Cross uses the term administrative costs to recognize that organizations incur indirect costs in the implementation of projects.

In addition to the direct costs budgeted by the organization, a contribution to Administrative costs will be automatically added at the standard percentage of **12 per cent** of the total budget. This is intended to permit organizations to recover costs for ongoing operational costs, overhead and typical indirect costs incurred by the organization as it goes about its normal work and its work on the project. In unique cases, depending on the project activities, the Canadian Red Cross may further adjust the administrative percentage as part of our review of your application and will discuss these adjustments with you prior to signing the Agreement.

## ✓ Common expenses intended as part of the Administrative costs contribution

The following costs should generally not be included as direct costs in the project budget as they would be considered shared resources not directly attributable to the project:

- General administrative support to the project such as executive management (CEO, COO, CFO, ED, etc.); accounting; bookkeeping and general financial management; internal audit function; legal support and expenses; information technology (IT) support staff; facilities support personnel; human resources; shared procurement resources; general logistics support; material management
- Board activities
- General office supplies
- General communications and website support
- IT costs, including cyber security and basic IT infrastructure utilization
- Existing IT equipment and support (e.g., centralized IT systems, networks)
- Bank charges or fees
- Phone and internet costs
- Equipment repair, maintenance or depreciation costs
- Insurance costs
- Generalized subscription and membership costs
- Advertising, marketing and promotion
- Rent, utilities, maintenance and use of existing facilities
- Other shared resources that are not directly attributable to the project