

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	INDEX
	<b>Massachusetts Institute of Technology</b>

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COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	COVER SHEET AND CERTIFICATION  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
0.1	<b>Educational Institution</b>  (a) Name: <b>Massachusetts Institute of Technology</b> (b) Street Address: <b>77 Massachusetts Avenue</b> (c) City, State and ZIP Code: <b>Cambridge, Massachusetts 02139-4307</b> (d) Division or Campus of: See continuation sheet 0.1 (if applicable)
0.2	<b>Reporting Unit is:</b> (Mark one)  A. <input type="checkbox"/> Independently Administered Public Institution B. <input checked="" type="checkbox"/> Independently Administered Nonprofit Institution C. <input type="checkbox"/> Administered as Part of a Public System D. <input type="checkbox"/> Administered as Part of a Nonprofit System E. <input type="checkbox"/> Other (Specify)
0.3	<b>Official to Contact Concerning this Statement:</b>  (a) Name and Title John P. Donahue Director of Cost Analysis Office of the Vice President for Research  (b) Phone Number (Include area code and extension) (617) 258-7950
0.4	<b>Statement Type and Effective Date:</b>  A. (Mark type of submission. If a revision, enter number) (a) <input type="checkbox"/> Original Statement (b) <input type="checkbox"/> Amended Statement  B. Effective Date of this Statement: (Specify)

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Item No.	Item Description
0.5	<p><b>Statement Submitted To</b> (Provide office name, location and telephone number, include area code and extension):</p> <p>A. Cognizant Federal Agency:                   <b>Office of Naval Research (ONR/MIT)</b>  <b>495 Summer Street, Room 103</b>  <b>Boston, MA. 02210-2109</b>  <b>Tel: (617) 753-4666</b></p> <p>B. Cognizant Federal Auditor:                   <b>Defense Contract Audit Agency (DCAA)</b>  <b>Eastern Region</b>  <b>Merrimack Valley Branch Office</b>  <b>59 Lowes Way – Suite 300</b>  <b>Lowell, MA 01851</b>  <b>Tel: (571) 448-2058</b></p>

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Item No.	Item Description
	<p style="text-align: center;"><b>CERTIFICATION</b></p> <p>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. § 422.</p> <p>Date of Certification: <span style="border: 1px solid black; padding: 2px;">March 21, 2022</span></p> <div style="text-align: center; margin-top: 40px;">   _____  (Signature) </div> <div style="text-align: center; margin-top: 20px;"> John P. Donahue  Director of Cost Analysis  Office of the Vice President for Research </div> <div style="text-align: center; margin-top: 100px;"> THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN  18 U.S.C. § 1001 </div>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	CONTINUATION SHEET  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
0.1	<p><b><u>Educational Institution.</u></b></p> <p>Lincoln Laboratory, an FFRDC, has filed their own CASB-DS-1 Form. The Laboratory is directly integrated into MIT as one of its research laboratories. Current supervision and relationships are close including integrated (indirect) support costs. The Lincoln Laboratory indirect cost rate is developed during the rate determination process explained in this Disclosure Statement.</p> <p style="text-align: right;"><b>End of Part</b></p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART I - GENERAL INFORMATION
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
	Part I
1.1.0	<p><b>Description of Your Cost Accounting System</b> for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p> <p>A. <input type="checkbox"/> Accrual</p> <p>B. <input checked="" type="checkbox"/> Modified Accrual Basis <u>1/</u></p> <p>C. <input type="checkbox"/> Cash Basis</p> <p>Y. <input type="checkbox"/> Other <u>1/</u></p>
1.2.0	<p><b>Integration of Cost Accounting with Financial Accounting.</b> 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 checked="" 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 type="checkbox"/> Combination of A and B</p>
1.3.0	<p><b>Unallowable Costs.</b> 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 workpapers. <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>
1.3.1	<p><b>Treatment of Unallowable Costs.</b> (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.)</p> <p><u>1/</u> Describe on a Continuation Sheet.</p>

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Item No.	Item Description
1.4.0	<b>Cost Accounting Period:</b> _7/1 to 6/30_ (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	<b>State Laws or Regulations.</b> 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 or special agreements on allowance of costs.  <u>1/</u> Describe on a Continuation Sheet.

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1.1.0	<p><b><u>Description of Your Cost Accounting System.</u></b></p> <p>Our cost accounting system for Federally sponsored agreements is similar to an actual cost-job order system. Each Federally sponsored agreement is assigned a separate number in the accounting records against which actual identifiable direct costs are recorded. Direct expenses, such as salaries, travel, etc., are charged to each sponsored agreement primarily on a cash basis.* Consumable expenses are charged using a receipt date. Invoices received outside of a sponsored agreement's period of performance are processed as period costs if the actual procurement/receipt date of the goods/services was within the period of performance.</p> <p>Beginning in FY 1997, MIT began implementing modules of the SAP R/3 Management/Financial system. SAP R/3 is a modular business application software package designed for open systems based on the client/server network architecture. The modules are integrated and provide real time enterprise information system processing. At MIT the SAP R/3 system runs on UNIX, Macintosh, and Windows operating systems with Oracle providing database support functions.</p> <p>* There is a Modified Annual Plan (MAP) Arrangement whereby a faculty member can be paid over twelve months for effort expended over the nine month academic year.</p>



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Item No.	Item Description
1.3.0	<p><b><u>Unallowable Costs.</u></b></p> <p>Unallowable costs are identified either by the use of unallowable <a href="#">cost collectors</a> or unallowable <a href="#">GL accounts</a> (expense classifications) which identify unallowable transactions charged to otherwise allowable <a href="#">cost collectors</a>. We also perform sampling of certain <a href="#">GL accounts</a> and allowable <a href="#">cost collectors</a> in order to further ensure that the Indirect Cost Submission is purged of unallowable transactions.</p>

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Item No.	Item Description
1.3.1	<p><b><u>Treatment of Unallowable Costs.</u></b></p> <p>Our account reporting system is based on accumulating costs in functional type <b>cost collectors</b>. <b>Cost collectors</b> are grouped by ranges (i.e., accounts 5000000 – 9999999 are Organized Research) that reflect homogeneous type costs that relate to cost center reporting units used in the Institute's annual Treasurer's Report. Individual charges to the <b>cost collectors</b> are further broken down by <b>GL accounts</b> (expense codes) which identify the charges by expense type (type of salary, materials, equipment, etc.). The <b>GL account</b> expense classification accommodates unallowables, as defined in <b>Uniform Guidance (2 CFR 200)</b>. Each <b>cost collector</b> in the indirect cost pools is reviewed to determine if the <b>cost collector</b> meets the test of allowability under <b>Uniform Guidance (2 CFR 200)</b>. If the function of the <b>cost collector</b> does not pass the allowability test, then that <b>cost collector</b> is mapped, in its entirety, to an unallowable cost pool.</p> <p>Reimbursable <b>cost collectors</b> are purged of unallowable transactions by removing all costs assigned to unallowable <b>GL accounts</b> within the <b>cost collector</b>. Costs directly associated with an unallowable cost (costs generated solely as a result of the incurrence of the unallowable cost) are also charged to unallowable <b>GL accounts</b>.</p> <p>The above methodology is applied to each of the Institute's indirect cost pools.</p> <p>Two cost pools have been established for aggregating unallowables:</p> <p>Cost pool 990 (Unallowables – OH)</p> <p>Captures all unallowable costs, by <b>cost collector</b> and/or <b>GL account</b>, related to the Campus Administration, Medical-net, Division of Comparative Medicine, Departmental Administration, Libraries, and Sponsored Programs Administration cost pools. This cost pool is included in the calculation of the MTC formula used to allocate the Central and Campus Administration cost pools. This results in an allocation of Central and Campus Administration costs to the non-reimbursable, unallowable cost classification.</p> <p>Cost pool 991 (Unallowables – No/OH)</p> <p>Captures all unallowable costs, by <b>cost collector</b> and/or <b>GL account</b>, related to the Building Depreciation, Equipment Depreciation, Interest, Operations and Maintenance, and Central Administration cost pools. This cost pool is not included in the calculation of the MTC formula used to allocate the Central and Campus Administration cost pools. This ensures that G&amp;A and Plant costs are not further allocated to G&amp;A and Plant costs.</p> <p>The major functions of the Institute are Instruction/Departmental Research, Organized Research, <b>Other Sponsored Activities</b>, and Other Institutional Activities. Each indirect cost pool is allocated between the major functions in accordance with <b>Uniform Guidance (2 CFR 200)</b>.</p> <p style="text-align: center;"><b>End of Part</b></p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART II - DIRECT COSTS	
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	Instructions for Part II		
	<p>Institutions should disclose what costs are, or will be, charged directly to Federally 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.</p>		
2.1.0	<p><b>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</b> (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.)</p>		
2.2.0	<p><b>Description of Direct Materials.</b> 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.)</p>		
2.3.0	<p><b>Method of Charging Direct Materials and Supplies.</b> (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p>		
2.3.1	<p><b>Direct Purchases for Projects are Charged to Projects at</b></p> <p>A. <input type="checkbox"/> Actual Invoiced Costs  B. <input checked="" type="checkbox"/> Actual Invoiced Costs Net of Discounts Taken  Y. <input type="checkbox"/> Other(s) <u>1/</u>  Z. <input type="checkbox"/> Not Applicable</p>		
2.3.2	<p><b>Inventory Requisitions from Central or Common, Institution-owned Inventory.</b> (Identify the inventory valuation method used to charge projects):</p> <p>A. <input type="checkbox"/> First In, First Out  B. <input type="checkbox"/> Last In, First Out  C. <input type="checkbox"/> Average Costs <u>1/</u>  D. <input type="checkbox"/> Predetermined Costs <u>1/</u>  Y. <input type="checkbox"/> Other(s) <u>1/</u>  Z. <input checked="" type="checkbox"/> Not Applicable</p> <p><u>1/</u> Describe on a Continuation Sheet.</p>		

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2.4.0	<b>Description of Direct Personal Services.</b> 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 costs, if any, within each major institutional function or activity that are charged as direct personal services.)																																		
2.5.0	<b>Method of Charging Direct Salaries and Wages.</b> (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.)																																		
		<div style="text-align: center;">Direct Personal Services Category</div> <table border="1"> <thead> <tr> <th></th> <th>Faculty (1)</th> <th>Staff (2)</th> <th>Students (3)</th> <th>Other 1/ (4)</th> </tr> </thead> <tbody> <tr> <td>A. Payroll Distribution Method (Individual time card/actual hours and rates)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">X .</td> <td style="text-align: center;">X .</td> </tr> <tr> <td>B. Plan - Confirmation (Budgeted planned or assigned work activity, updated to reflect significant changes)</td> <td style="text-align: center;">X .</td> <td style="text-align: center;">X .</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>C. After-the-fact Activity Records (Percentage Distribution of employee activity)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Y. Other(s) 1/</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> </tbody> </table>					Faculty (1)	Staff (2)	Students (3)	Other 1/ (4)	A. Payroll Distribution Method (Individual time card/actual hours and rates)	—	—	X .	X .	B. Plan - Confirmation (Budgeted planned or assigned work activity, updated to reflect significant changes)	X .	X .	—	—	C. After-the-fact Activity Records (Percentage Distribution of employee activity)	—	—	—	—	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) 1/	—	—	—	—
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2.5.1	<p><b><u>Salary and Wage Cost Distribution Systems.</u></b></p> <p>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.)</p> <p><u>  X  </u> Yes  <u>     </u> No</p>
2.5.2	<p><b><u>Salary and Wage Cost Accumulation System.</u></b></p> <p>(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.)</p>
2.6.0	<p><b><u>Description of Direct Fringe Benefits Costs.</u></b> 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.)</p>
2.6.1	<p><b><u>Method of Charging Direct Fringe Benefits.</u></b> (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.)</p>
2.7.0	<p><b><u>Description of Other Direct Costs.</u></b> 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, subgrants, subcontracts, malpractice insurance, etc.)</p>
2.7.1	<p><b><u>Employee Travel Expenses.</u></b> Employee travel expenses for lodging and subsistence charged directly to Federally sponsored agreements or similar cost objectives are based on:</p> <p>A. <u>     X     </u> Charges normally allowed in regular operations as a result of an established institutional employee travel cost policy that is applied consistently to all employees or groups of employees.</p> <p>B. <u>          </u> The rates and amounts established under Subchapter 1 of Chapter 57 of Title 5, United States Code, or by the Administrator of General Services or the President (or his designee (Section 24 of 41 U.S.C. § 420), as amended.</p> <p>C. <u>          </u> Combination of A and B <u>1/</u>.</p> <p>Y. <u>          </u> Other Method <u>1/</u>.</p> <p><u>1/</u> Describe on a Continuation Sheet</p>

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2.8.0	<p><b>Cost Transfers.</b> 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.)</p> <p><u>  X  </u> Yes  <u>     </u> No</p>																										
2.9.0	<p><b>Interorganizational Transfers.</b> 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 interorganizational 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.)</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Materials</u> (1)</th> <th style="text-align: center;"><u>Supplies</u> (2)</th> <th style="text-align: center;"><u>Services</u> (3)</th> </tr> </thead> <tbody> <tr> <td>A. At full cost excluding indirect costs to group or central office expenses.</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>B. At full cost including indirect costs attributable to group or central office expenses.</td> <td style="text-align: center;"><u>  X  </u></td> <td style="text-align: center;"><u>  X  </u></td> <td style="text-align: center;"><u>  X  </u></td> </tr> <tr> <td>C. At established catalog or market price or prices based on adequate competition.</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Y. Other(s) <u>  1/  </u></td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Z. Interorganizational transfers are not applicable</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> </tbody> </table> <p><u>  1/  </u> Describe on a Continuation Sheet.</p>				<u>Materials</u> (1)	<u>Supplies</u> (2)	<u>Services</u> (3)	A. At full cost excluding indirect costs to group or central office expenses.	—	—	—	B. At full cost including indirect costs attributable to group or central office expenses.	<u>  X  </u>	<u>  X  </u>	<u>  X  </u>	C. At established catalog or market price or prices based on adequate competition.	—	—	—	Y. Other(s) <u>  1/  </u>	—	—	—	Z. Interorganizational transfers are not applicable	—	—	—
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2.1.0	<p><b><u>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</u></b></p> <p>The MIT accounting system meets the requirements of accepted accounting principles of both Public Accounting and Government Agencies. This system provides the basic format for timely and accurate information used for the distribution of expenses to (1) direct cost objectives, i.e. Instruction/Departmental Research, Organized Research, <a href="#">Other Sponsored Activities</a>, and Other Institutional Activities, and (2) indirect functions.</p> <p>The Institute follows the general guidelines in <a href="#">Uniform Guidance (2 CFR 200)</a> in determining the treatment of costs as direct or indirect. Accordingly, costs that can be identified specifically with a particular sponsored research project (or interrelated projects), instructional activity or other final cost objective, or can be directly assigned to such activities relatively easily with a high degree of accuracy are treated as direct costs. Conversely, costs incurred for common or joint objectives which cannot be identified readily and specifically with a sponsored project, instructional activity or other final cost objective are treated as indirect costs.</p> <p>MIT also follows the guidelines in <a href="#">Uniform Guidance (2 CFR 200)</a> which specify the treatment of administrative and clerical salaries, and other costs such as office supplies and postage. Direct charging of administrative and clerical salaries may also be appropriate when the special nature of the project requires different administrative and clerical support which is significantly greater than the routine level of such services provided by academic departments.</p> <p>The Institute's criterion for determining how costs are charged to federally sponsored agreements or similar objectives is specific identification to the project or activity, not the nature of the cost. MIT has many categories of costs that can be charged both directly and indirectly to final cost objectives. Accordingly, costs that can be identified specifically with a particular sponsored research project (or interrelated projects), instructional activity or other final cost objective, or can be directly assigned to such activities relatively easily with a high degree of accuracy are treated as direct costs. Conversely, costs incurred for common or joint objectives which cannot be identified readily and specifically with a sponsored project, instructional activity or other final cost objective are treated as indirect costs. Costs incurred for the same purpose in like circumstances are treated consistently as either direct costs or indirect costs. MIT does not charge like costs differently when the cost is incurred for the same purpose and circumstance.</p> <p>One example of a cost category which is charged both as a direct and indirect cost is library. MIT maintains a main library system which services the entire Institute including Lincoln Laboratory. However, Lincoln Laboratory also maintains a specialized library servicing only the research needs of Lincoln Laboratory. The MIT Library system is an indirect cost and the Lincoln Laboratory Library is a direct cost. Both are allocated to Lincoln Laboratory since Lincoln Laboratory makes use of both libraries. Another example is Utility costs. Utility costs are normally an indirect cost and are charged to all research projects through the F&amp;A rate. However, some projects are also charged directly for extraordinary utility consumption. These projects are rare, are evaluated on a case by case basis, and are negotiated with sponsoring agencies.</p> <p>As indicated above, the Institute's policies permit direct charges for administrative and clerical salaries, office supplies and postage only under certain circumstances consistent with <a href="#">Uniform Guidance (2 CFR 200)</a>. When these costs meet the requirements of <a href="#">Uniform Guidance (2 CFR 200)</a> and are directly related to the project, they may be direct charged. To assist MIT departments, laboratories and centers in determining in what circumstances it is appropriate to direct-charge administrative and clerical salaries to Federally sponsored agreements, MIT has developed the following list of examples to illustrate the types of project support that may be direct-charged:</p> <ul style="list-style-type: none"> <li>• Manage and/or prepare databases for analysis and interpretation of research results;</li> <li>• Survey, tabulate, catalog, and search literature for project researchers;</li> </ul>
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COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART II - DIRECT COSTS	
		Massachusetts Institute of Technology	
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2.1.0	<b><u>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</u></b> (Continued)																																																																								
	<ul style="list-style-type: none"> <li>• Make (complicated domestic and foreign) travel and meeting arrangements for (large numbers of) project participants(s), including visiting researchers and for conferences or seminars;</li> <li>• Prepare (journal) manuscripts for publication;</li> <li>• Order and maintain inventory of project materials and supplies in support of research described in proposals;</li> <li>• Assemble and manage teams of investigators from a number of institutions when the situation involves large Program Project grants (or Engineering Research Centers, etc.);</li> <li>• Where projects are geographically inaccessible to normal departmental administrative services such as seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus;</li> <li>• Projects requiring project-specific database management, multiple project-related investigator coordination and communications, individualized graphics or manuscript preparation.</li> </ul> <p>The table below describes MIT's treatment of costs charged to major functions.</p> <table> <tr> <th></th><th><u>Instruction/ Dept. Research</u></th><th><u>Organized Research</u></th><th><u>Other Inst Activities</u></th><th><u>Cost Is Charged</u></th></tr> <tr> <td>Salaries and Wages</td><td></td><td></td><td></td><td></td></tr> <tr> <td>    Faculty</td><td>X</td><td>X</td><td>X</td><td>4</td></tr> <tr> <td>    Other Academic</td><td>X</td><td>X</td><td>X</td><td>4</td></tr> <tr> <td>    Research Staff</td><td>X</td><td>X</td><td></td><td>1</td></tr> <tr> <td>    Graduate Students</td><td>X</td><td>X</td><td>X</td><td>4</td></tr> <tr> <td>    Hourly</td><td>X</td><td>X</td><td>X</td><td>4</td></tr> <tr> <td>    UROP</td><td>X</td><td>X</td><td></td><td>1</td></tr> <tr> <td>    Rsch Asst.</td><td>X</td><td>X</td><td></td><td>1</td></tr> <tr> <td>    Teach Asst.</td><td>X</td><td></td><td></td><td>1</td></tr> <tr> <td>    Clerical</td><td>X</td><td>X</td><td>X</td><td>4</td></tr> <tr> <td>    Vacation Accrual</td><td>X</td><td>X</td><td></td><td>1</td></tr> <tr> <td>    Fringe Benefits, etc.</td><td>X</td><td>X</td><td>X</td><td>4</td></tr> <tr> <td>    Materials</td><td>X</td><td>X</td><td>X</td><td>4</td></tr> </table> <p>1) Always Direct 2) Always Indirect 3) Directly Allocated 4) Sometimes Direct/Sometimes Indirect</p>					<u>Instruction/ Dept. Research</u>	<u>Organized Research</u>	<u>Other Inst Activities</u>	<u>Cost Is Charged</u>	Salaries and Wages					Faculty	X	X	X	4	Other Academic	X	X	X	4	Research Staff	X	X		1	Graduate Students	X	X	X	4	Hourly	X	X	X	4	UROP	X	X		1	Rsch Asst.	X	X		1	Teach Asst.	X			1	Clerical	X	X	X	4	Vacation Accrual	X	X		1	Fringe Benefits, etc.	X	X	X	4	Materials	X	X	X
	<u>Instruction/ Dept. Research</u>	<u>Organized Research</u>	<u>Other Inst Activities</u>	<u>Cost Is Charged</u>																																																																					
Salaries and Wages																																																																									
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Other Academic	X	X	X	4																																																																					
Research Staff	X	X		1																																																																					
Graduate Students	X	X	X	4																																																																					
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COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		<b>CONTINUATION SHEET</b> PART II - DIRECT COSTS	
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2.2.0	<b><u>Description of Direct Materials.</u></b>  The principal classes of materials which are charged as direct materials and supplies include the following:  Chemicals Classroom Supplies Clean Room Supplies Compressed Gases Course Material Electrical Components/Supplies Laboratory Apparatus Machine Supplies Pamphlet Expense Safety Supplies
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COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART II - DIRECT COSTS	
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2.4.0	<p><b><u>Description of Direct Personal Services.</u></b></p> <p>Employees' salaries and their associated fringe benefits become part of the direct labor base when they can be identified with a sponsored research agreement (or a limited number of agreements) or other cost objectives with reasonable accuracy. The salaries and wages are inclusive of overtime (premium and regular), sick leave, personal leave, holiday pay, jury pay, emergency closing pay and military leave.</p> <p>Classes of employees that are included in the direct labor category are listed below:</p> <p>Faculty Other Academic Staff Sponsored Research Staff Graduate Student Staff Hourly MIT Undergraduate Research Opportunities Program (UROP) Students Research Assistants Project Support Allocated Administrative Support * Other Professionals Technical and Administrative Support</p> <p>* Allocated Administrative Support is cost contained in Allocation Accounts of specific Interdepartmental Laboratories (IDL's) and is allocated to cost collectors (i.e., WBS elements, internal orders, etc.) within those laboratories based on the ratio of the adjusted MTDC of each laboratory. See Attachment F for an explanation of the "General Policy" governing allocation charges, a list of all IDL's with allocation accounts and a description of the allocation account review process.</p>		

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2.5.0	<p><b><u>Method of Charging Direct Salaries and Wages</u></b></p> <p>This category includes the salaries of support and service staff. The Labor Distribution of each employee includes the immediate expected project(s) or <b>other cost collectors</b> to which the employee's salary is to be charged each week. If the effort of the employee changes, the appropriate adjustment is made by redistributing the effort of the employee to the proper project(s) or <b>other cost collectors</b>.</p>
2.5.2	<p><b><u>Salary and Wage Cost Accumulation Systems.</u></b>  <b>SEMI-MONTHLY PAID EMPLOYEES:</b></p> <p><b>Faculty, Academic Staff, Administrative Staff, Sponsored Research Staff, Graduate Student Staff</b></p> <p>Employees in this category are paid semi-monthly (the 15<sup>th</sup> of the month and the last day of the month). Payroll charges are posted to the ledger monthly and certified by appropriate individuals quarterly.</p> <p>Rev#19 – Administrative – Effective July 1, 2016 (FY17)  Rev#21 – Administrative – Effective April 15, 2018 (FY18)</p> <p>The Labor Distribution of each employee includes the immediate expected project(s) or <b>other cost collectors</b> to which the employee's salary is to be charged each month. At the end of each month, a document containing the Labor/Distribution information is <b>electronically</b> delivered to each Department, Laboratory or Center for review and certification of effort of each employee. If the projects to which the employee is being charged will be different for the next month, the responsible person will so indicate on this certification document and return it to the Payroll Department where requested changes (retroactive and prospective) will be affected.</p> <p><b>Faculty Salaries:</b> For information on faculty salaries, please refer to our Faculty Effort Reporting Policy and our policy for cost sharing and matching funds on Sponsored Projects, both effective July 1, 1998 (drafts, dated 2/11/98 are included as Attachments C and D).</p> <p><b>Research Assistants' Salaries:</b> Research Assistants' (RS's) salaries are charged to sponsored research accounts at a rate of 100% of their total salaries. RA's salaries are not included in the salary base on which the Employee Benefits rate is calculated.</p> <p><b>WEEKLY PAID EMPLOYEES:</b></p> <p><b>Support Staff, Service Staff, MIT Students</b></p> <p>Employees in this category are paid weekly. Payroll charges are posted to the ledger weekly and certified by appropriate individuals quarterly.</p> <p>Rev#19 – Administrative – Effective July 1, 2016 (FY17)  Rev#21 – Administrative – Effective April 15, 2018 (FY18)</p> <p>The Labor Distribution of each employee includes the immediate expected project(s) or <b>other cost collectors</b> to which the employee's salary is to be charged each week. At the end of the week, a Time Sheet, including the project(s) to which the previous week's effort was charged, is produced for each employee and forwarded <b>electronically</b> to the various departments. If the project(s) to which the current week's effort is to be charged are different than the previous week's project(s), the responsible person will indicate any such changes. Otherwise, the effort distribution will remain the same and will require the appropriate certification as accurate.</p>

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2.5.2	<p><b><u>Salary and Wage Cost Accumulation Systems.</u></b> (Continued)</p> <p>A separate procedure is maintained for Sponsored Research Staff personnel for the purpose of providing a more equitable distribution to research agreements. Each year, estimated vacations earned by personnel charged to organized research projects (excluding Faculty salaries) are accrued with a contra debit to the employee benefit organized research expense pool. This expensed vacation becomes a component of the organized research employee benefit rates. These rates are applied to applicable organized research direct salaries with a contra credit to the employee benefit expense pool. Vacations paid to Sponsored Research personnel are charged against the accrual. In computing each year's accrual, any over or under absorption of the prior period is taken into consideration.</p> <p><b>RECONCILIATION OF DISTRIBUTION COSTS TO PAYROLL DISBURSEMENTS</b></p> <p>The payroll computer system includes a series of programs which maintain total salary paid and total salary charged to projects for each employee on a cumulative fiscal year-to-date basis. While data is produced weekly for weekly paid employees, project charges are posted to the Institute's General Ledger once a month. It is on this frequency that the previously mentioned reconciliation programs are executed to identify any employee whose fiscal year-to-date paid salary does not equal his/her fiscal year-to-date distributed salary. The two most common reasons for an individual being "out of balance" is due to the Modified Annual Plan for Faculty Members and vacation payoffs for terminated employees.</p> <p>The Modified Annual Plan is an arrangement whereby the Faculty Member is paid over twelve months for effort expended over the academic nine-month year.</p> <p>Vacation payoffs are measured by insuring that employees are paid for any earned but unused vacation balances at the time of termination or retirement. The amount of an employee's vacation payoff is determined based on their rate of pay at the time of their termination or retirement. To the extent that the employee is charged to sponsored research immediately prior to termination or retirement, their vacation payoff amount will be charged to the vacation liability; otherwise the vacation payoff amount will be charged to Institute accounts.</p>
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2.6.0	<p><b><u>Description of Direct Fringe Benefits Costs.</u></b></p> <p>The following are all of the costs which are classified as fringe benefits and charged to Federally Sponsored Research as a direct cost when related salaries are a direct cost and as an indirect cost when related salaries are an indirect cost.</p> <ul style="list-style-type: none"> <li>1) Retirement Plan - Defined Benefit</li> <li>2) Retirement Plan - Supplemental</li> <li>3) Postretirement Benefits Other Than Pensions-FAS 106</li> <li>4) Postemployment Benefits – Long Term Disability Insurance/Workers' Compensation</li> <li>5) Social Security</li> <li>6) Benefit Servicing</li> <li>7) Health Insurance</li> <li>8) Unemployment Compensation</li> <li>9) Use of Athletic Facilities</li> <li>10) Parking</li> <li>11) Community Housing</li> <li>12) Child Care</li> <li>13) Massachusetts Health Tax</li> <li>14) Sabbatical Leaves</li> <li>15) Educational Assistance - Employees</li> <li>16) Sick Pay at Retirement</li> <li>17) Extended Termination</li> <li>18) Vacation Accrual – Research Employees</li> <li>19) Employee Benefits Residual</li> <li>20) Employee Medical (net)</li> <li>21) Adoption Assistance</li> <li>22) Rewards &amp; Recognition</li> <li>23) Parental Leave</li> </ul> <p>Rev#20 – Unilateral – Cost Accounting Change – Effective July 1, 2018 (FY19)</p> <p>24) Family Leave</p> <p>Rev#22 – In Compliance with Mass PFMLA – Cost Accounting Change – Effective July 1, 2021 (FY22)</p>		
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2.6.1	<p><b><u>Method of Charging Direct Fringe Benefits.</u></b></p> <p>1) Retirement Plan - Defined Benefit This cost is computed on an actuarially defined basis according to the rules as set forth in Financial Accounting Standard Board Statement No. 87 and is assigned to the cost accounting period on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>2) Retirement Plan - Supplemental This cost is based on a matching formula in which employees can elect to contribute an amount from one (1) to five (5) percent of their salary. This contribution is matched on a dollar-for-dollar basis by the Institute and a cash transfer is made to the Pension Fund. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>3) Postretirement Benefits Other Than Pensions - FAS 106 This cost is computed based on an actuarial valuation according to Financial Accounting Standard No. 106 and is funded via a cash transfer to a Charitable Trust Fund. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>4) Postemployment Benefits</p> <p style="padding-left: 40px;">A) Long Term Disability Insurance B) Worker's Compensation</p> <p>This cost is computed based on an actuarial valuation according to Financial Accounting Standard No. 112 and is assigned on an accrual basis of accounting. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>5) Social Security Cash payments are made for both FICA and Medicare as required by law. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>6) Benefit Servicing * Benefit servicing consists of various support costs in administering the Pension Plans, Health Plans, Insurance Plans, etc. which make up the bulk of the Fringe Benefit cost pool. It is assigned to the cost accounting period primarily on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>7) Health Insurance * This cost consists of various Health Plans offered at the Institute. It includes an Indemnity Plan, several HMO's and a Dental Plan. One of the HMO's is run by the Institute under the titles; Massachusetts Institute of Technology (MIT) Traditional Health Plan and Massachusetts Institute of Technology (MIT) Flexible Health Plan. The costs relating to the MIT Health Plans are recovered, at cost, on an actual usage basis through the Employee Benefits rate and the F&amp;A rate. This cost is assigned to the cost accounting period primarily on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>8) Unemployment Compensation This is a Self-Insurance Cost which is assigned to the cost accounting period on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p>
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Item No.		Item Description	
2.6.1	<p><b><u>Method of Charging Direct Fringe Benefits.</u></b> (Continued)</p> <p>9) Use of Athletic Facilities This is the net cost of Employees' usage of the Athletic Facilities as determined through an analysis of MIT Athletic Card sales. Typical costs would include Athletics Department revenue/expense, exclusive of equipment, and Athletic facility O&amp;M. Cost is assigned to the cost accounting period on a cash basis. Allocation to cost objectives is based on the distribution of salaries and wages to those cost objectives.</p> <p>10) Parking This is the net cost of providing parking to employees. Typical costs would include maintenance and repairs to garages and open air parking lots and revenue/expense associated with parking facility operations and the sale of parking stickers. Cost is assigned to the cost accounting period on a cash basis. Allocation to cost objectives, exclusive of the Off Campus cost objective, is based on the distribution of salaries and wages to those cost objectives.</p> <p>11) Community Housing * This is a cost which aids the Faculty and Staff in securing housing in the local area. It is assigned to the cost accounting period primarily on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>12) Child Care * This is the net cost of operating child care facilities at both the on and off campus locations. It is assigned to the cost accounting period primarily on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>13) Massachusetts Health Tax This is the "unemployment health insurance contribution" tax required by Massachusetts law. It is assigned to the cost accounting period on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>14) Sabbatical Leaves This is a cost of providing time for the Faculty to pursue scholarly research and study after meeting necessary years of service requirements. It is assigned to the cost accounting period on a cash basis. It is allocated to cost objectives exclusive of the Off Campus cost objective based on the distribution of salaries and wages to the benefiting cost objectives.</p> <p>15) Educational Assistance - Employees * This represents reimbursement to employees for courses taken which enhance an employee's expertise and/or relate to the field in which a person is employed. It is assigned to the cost accounting period primarily on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>16) Sick Pay At Retirement Represents unused sick leave provided to support and service staff at retirement. It is assigned to the cost accounting period on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p>		

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2.6.1		<p><b><u>Method of Charging Direct Fringe Benefits.</u></b> (Continued)</p> <p>17) Extended Termination Represents layoff notice costs for those employees whose required layoff notice period extends beyond the scope of the work being performed by that employee. It is assigned to the cost accounting period on a cash basis and allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>18) Accrual of Vacations for Research Employees Represents vacation time earned and accrued during each cost accounting period for the staff, support staff and service staff effort on Organized research cost objectives based on the distribution of the Organized research salaries and wages of the staff, support staff and service staff being accrued. The Institute does not accrue vacation time for faculty and graduate students. It is assigned to the cost accounting period on an accrual basis and allocated to cost objectives based on the distribution of appropriate research salaries and wages.</p> <p>19) Employee Benefits Residual Represents the difference between actual employee benefit expense for the year and the benefits costs distributed through the application of the employee benefit rate. This difference (i.e., over/under recovery) is carried forward and becomes a component of the employee benefit rate for a future year(s). It is assigned to the cost accounting period on a cash basis and allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>20) Employee Medical (net) Represents the difference between actual employee medical expense for the year and the medical costs distributed through the application of the employee benefit rate. The difference (i.e., over/under recovery) is carried forward and becomes a component of the employee benefit rate for a future year(s). It is assigned to the cost accounting period on a cash basis and allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>21) Adoption Assistance* Represents costs to provide eligible employees with financial reimbursement for qualified adoption expenses. It is assigned to the cost accounting period primarily on a cash basis and allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>22) Rewards &amp; Recognition Represents the costs of MIT's Rewards &amp; Recognition program which provides cash awards to employees in recognition of exemplary efforts. It is assigned to the cost accounting period on a cash basis and allocated to cost objectives based on the distribution of salaries and wages to these cost objectives.</p> <p>23) Parental Leave Represents costs to provide eligible employees with leave associated with the birth of a child, adoption of a child under the age of eighteen, or the placement of a child pursuant to a court order. It is assigned to the cost accounting period on a cash basis and allocated to cost objectives based on the distribution of salaries and wages to these cost objectives. Rev#20 – Unilateral – Cost Accounting Change – Effective July 1, 2018 (FY19)</p> <p>24) Family Leave Represents costs to provide eligible employees with leave associated with caring for a sick family member. It is assigned to the cost accounting period on a cash basis. It is allocated to cost objectives based on the distribution of salaries and wages to these cost objectives. Rev#22 – In Compliance with MASS PFMLA – Cost Accounting Change – Effective July 1, 2021 (FY22)</p> <p>* Accruals may be necessary to ensure twelve months of costs in the accounting period.</p>	



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2.7.0	<p><b><u>Description of Other Direct Costs.</u></b></p> <p>The principal classes of other costs which are charged as direct cost include the following:</p> <p>Consultants Equipment Fabricated Equipment Meetings Rented Equipment Seminar Expense Subcontracts Toll Calls Travel Service Facilities Tuition Remission *</p> <p>Fellowship Stipends (subsistence allowances to defray living expenses)** Allocated Administrative Support (non-salary)***</p> <p>* See attachment G for MIT policy on tuition subsidy</p> <p>** Fellowship stipends are distinct from RA salaries (often referred to as stipends at MIT) which are described in Item 2.5.2. Fellowship stipends are subsistence allowances to defray living expenses, not compensation for work performed. MIT charges 100% of Fellowship stipends as direct charges to sponsored awards when approved by the sponsor, and excludes this amount from the construction of the MTDC base.</p> <p>*** Allocated Administrative Support is cost contained in Allocation Accounts of specific Interdepartmental Laboratories (IDL's) and is allocated to cost collectors (i.e., WBS elements, internal orders, etc.) within those laboratories based on the ratio of the adjusted MTDC of each laboratory. See Attachment F for an explanation of the "General Policy" governing allocation charges, a list of all IDL's with allocation accounts and a description of the allocation account review process.</p> <p style="text-align: center;"><b>End of Part</b></p>		

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART III - INDIRECT COSTS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
	<p>Instructions for Part III</p> <p>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.</p> <p>The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.</p> <ul style="list-style-type: none"> <li>A. Direct Charge or Allocation</li> <li>B. Total Expenditures</li> <li>C. Modified Total Cost Basis</li> <li>D. Modified Total Direct Cost Basis</li> <li>E. Salaries and Wages</li> <li>F. Salaries, Wages and Fringe Benefits</li> <li>G. Number of Employees (head count)</li> <li>H. Number of Employees full-time equivalent basis)</li> <li>I. Number of Students (head count)</li> <li>J. Number of Students Full-time equivalent basis)</li> <li>K. Student Hours - classroom and work performed</li> <li>L. Square Footage</li> <li>M. Usage</li> <li>N. Unit of Product</li> <li>O. Total Production</li> <li>P. More than one base (Separate Cost Groupings) <u>1/</u></li> <li>Y. Other(s) <u>1/</u></li> <li>Z. Category or Pool not applicable</li> </ul> <p><u>1/</u> List on a continuation sheet, the category and subgrouping(s) of expense involved and the allocation base(s) used.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART III - INDIRECT COSTS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description																																																												
3.1.0	<p><b>Indirect Cost Categories - Accumulation and Allocation.</b> 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.</p> <p>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")</p> <table border="1"> <thead> <tr> <th><u>Indirect Cost Category</u></th><th><u>Accumulation Method</u></th><th><u>Allocation Base Code</u></th><th><u>Allocation Sequence</u></th></tr> </thead> <tbody> <tr> <td>(a) Depreciation/Use Allowances/Interest</td><td></td><td></td><td></td></tr> <tr> <td>    Building</td><td><u>YES</u></td><td><u>L .</u></td><td><u>1 .</u></td></tr> <tr> <td>    Equipment</td><td><u>YES</u></td><td><u>L .</u></td><td><u>1 .</u></td></tr> <tr> <td>    Capital improvements to Land <u>1/</u></td><td><u>YES</u></td><td><u>L .</u></td><td><u>1 .</u></td></tr> <tr> <td>    Interest <u>1/</u></td><td><u>YES</u></td><td><u>L .</u></td><td><u>1 .</u></td></tr> <tr> <td>(b) Operation and Maintenance</td><td><u>YES</u></td><td><u>L .</u></td><td><u>2 .</u></td></tr> <tr> <td>(c) General Administration and General Expense</td><td><u>YES</u></td><td><u>C .</u></td><td><u>3 .</u></td></tr> <tr> <td>(d) Departmental Administration</td><td><u>YES</u></td><td><u>Y .</u></td><td><u>    </u></td></tr> <tr> <td>(e) Sponsored Projects Administration</td><td><u>YES</u></td><td><u>D .</u></td><td><u>    </u></td></tr> <tr> <td>(f) Library</td><td><u>YES</u></td><td><u>G + I.</u></td><td><u>    </u></td></tr> <tr> <td>(g) Student Administration and Services</td><td><u>YES</u></td><td><u>Z .</u></td><td><u>    </u></td></tr> <tr> <td>(h) Other <u>1/</u></td><td><u>YES</u></td><td><u>Y .</u></td><td><u>    </u></td></tr> <tr> <td colspan="4">See Continuation Sheet 3.1.0</td></tr> <tr> <td colspan="4"><u>1/</u> Describe on a Continuation Sheet.</td></tr> </tbody> </table>	<u>Indirect Cost Category</u>	<u>Accumulation Method</u>	<u>Allocation Base Code</u>	<u>Allocation Sequence</u>	(a) Depreciation/Use Allowances/Interest				Building	<u>YES</u>	<u>L .</u>	<u>1 .</u>	Equipment	<u>YES</u>	<u>L .</u>	<u>1 .</u>	Capital improvements to Land <u>1/</u>	<u>YES</u>	<u>L .</u>	<u>1 .</u>	Interest <u>1/</u>	<u>YES</u>	<u>L .</u>	<u>1 .</u>	(b) Operation and Maintenance	<u>YES</u>	<u>L .</u>	<u>2 .</u>	(c) General Administration and General Expense	<u>YES</u>	<u>C .</u>	<u>3 .</u>	(d) Departmental Administration	<u>YES</u>	<u>Y .</u>	<u>    </u>	(e) Sponsored Projects Administration	<u>YES</u>	<u>D .</u>	<u>    </u>	(f) Library	<u>YES</u>	<u>G + I.</u>	<u>    </u>	(g) Student Administration and Services	<u>YES</u>	<u>Z .</u>	<u>    </u>	(h) Other <u>1/</u>	<u>YES</u>	<u>Y .</u>	<u>    </u>	See Continuation Sheet 3.1.0				<u>1/</u> Describe on a Continuation Sheet.			
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	<b>Massachusetts Institute of Technology</b>

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3.2.0	<p><b>Service Centers.</b> 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.)</p> <p>See Continuation Sheet 3.2.0</p> <table border="0"> <thead> <tr> <th></th><th>(1)</th><th>(2)</th><th>(3)</th><th>(4)</th><th>(5)</th><th>(6)</th></tr> </thead> <tbody> <tr> <td>(a) Scientific Computer Operations</td><td><u>Z</u></td><td><u>...</u></td><td><u>...</u></td><td><u>...</u></td><td><u>...</u></td><td><u>...</u></td></tr> <tr> <td>(b) Business Data Processing</td><td><u>Z</u></td><td><u>...</u></td><td><u>...</u></td><td><u>...</u></td><td><u>...</u></td><td><u>...</u></td></tr> <tr> <td>(c) Animal Care Facilities</td><td><u>A</u></td><td><u>C</u></td><td><u>C</u></td><td><u>B</u></td><td><u>A</u></td><td><u>B</u></td></tr> <tr> <td colspan="7">(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. 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3.3.0	<p><b><u>Indirect Cost Pools and Allocation Bases</u></b></p> <p>(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally sponsored agreements or similar cost objectives).</p> <table> <thead> <tr> <th><u>Indirect Cost Pools</u></th><th><u>Allocation Base Code</u></th></tr> </thead> <tbody> <tr> <td>A. Instruction</td><td></td></tr> <tr> <td>    <input checked="" type="checkbox"/> On-Campus</td><td><u>Y</u></td></tr> <tr> <td>    <input checked="" type="checkbox"/> Off-Campus</td><td><u>Y</u></td></tr> <tr> <td>    ___ Other <u>1/</u></td><td>___</td></tr> <tr> <td>B. Organized Research</td><td></td></tr> <tr> <td>    <input checked="" type="checkbox"/> On-Campus</td><td><u>Y</u></td></tr> <tr> <td>    <input checked="" type="checkbox"/> Off-Campus</td><td><u>Y</u></td></tr> <tr> <td>    ___ Other <u>1/</u></td><td>___</td></tr> <tr> <td>C. Other Sponsored Activities</td><td></td></tr> <tr> <td>    <input checked="" type="checkbox"/> On-Campus</td><td><u>Y</u></td></tr> <tr> <td>    <input checked="" type="checkbox"/> Off-Campus</td><td><u>Y</u></td></tr> <tr> <td>    ___ Other <u>1/</u></td><td>___</td></tr> <tr> <td>D. Other Institutional Activities <u>1/</u></td><td><u>Y</u></td></tr> </tbody> </table> <p>See continuation sheet 3.3.0</p>	<u>Indirect Cost Pools</u>	<u>Allocation Base Code</u>	A. Instruction		<input checked="" type="checkbox"/> On-Campus	<u>Y</u>	<input checked="" type="checkbox"/> Off-Campus	<u>Y</u>	___ Other <u>1/</u>	___	B. Organized Research		<input checked="" type="checkbox"/> On-Campus	<u>Y</u>	<input checked="" type="checkbox"/> Off-Campus	<u>Y</u>	___ Other <u>1/</u>	___	C. Other Sponsored Activities		<input checked="" type="checkbox"/> On-Campus	<u>Y</u>	<input checked="" type="checkbox"/> Off-Campus	<u>Y</u>	___ Other <u>1/</u>	___	D. Other Institutional Activities <u>1/</u>	<u>Y</u>
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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.)</p> <p>See Continuation Sheet 3.4.0</p> <p><u>1/</u> Describe on a Continuation Sheet.</p>																												

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3.5.0	<p><b><u>Composition of Allocation Bases.</u></b>  For each allocation base code used in Items 3.1.0 and 3.3.0, 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> <p>See continuation sheet 3.5.0</p>
3.6.0	<p><b><u>Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs.</u></b>  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. <u> X </u> Yes  B. <u>   </u> No <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	<b>CONTINUATION SHEET</b> PART III - INDIRECT COSTS
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Item No.	Item Description
3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation</u></b></p> <p>(a) Depreciation/Use Allowance/Interest</p> <p>Building and Fixed Building Equipment</p> <p>All costs pertaining to new building construction are capitalized with the exception of certain plant costs incurred during the period of construction (i.e. providing heat, light and power). For additional information on capitalized building cost, we refer you to our Building Capitalization policy which is included as Attachment A.</p> <p>Our buildings are divided into the following functional classes. Auxiliary buildings which are used as student residences, Student Activity buildings that are used for athletics and other activities and Educational/Research buildings that are used directly or in support of our teaching and research mission. The annual depreciation of Auxiliary and Student Activity buildings is allocated to the Other Institutional function.</p> <p>Educational/Research buildings' annual depreciation (see Section 4.1.0 for additional information on depreciation) is allocated to benefiting functions on an analysis of the building's space utilization. A building depreciation cost per assignable square foot of space is developed for each building. Based on the cost per square foot number, each building's space would be costed by room type and occupying department. Building depreciation costs assigned to indirect cost center departments would be allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Building depreciation costs identified with direct activities such as academic departments and research centers would be allocated to the appropriate benefiting major function (Departmental Research or Organized Research) on room type. <a href="#">Provost</a> Reserve space is allocated based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Departmental research laboratories would be allocated to the Instruction function. Sponsored research laboratories are allocated to the Organized research function. Joint use space (i.e. office) is allocated to the appropriate major functions on the using department's direct salary formula.</p> <p>Capitalized Building Renovations</p> <p>The expenses under this heading are incurred for repairs, renovations and alterations to buildings, and space within buildings, which meet the capitalization criteria of materially increasing the useful life or value of a building (see Attachment A). Project costs are assigned to individual project account number, and for the most part, represent payments to contractors hired to do the job. Costs of Institute construction, engineers, etc. are also charged to each renovation project they benefit.</p> <p>Various methodologies are used in allocating these costs based on the nature of each renovation and its relative benefit to final cost objectives. All allocations are based on square footage as identified in the INSITE Space Inventory System. Specific methodologies and examples are listed below;</p> <p>Building Improvements</p> <p>Renovation projects pertaining to basic components of a building, e.g., elevators, windows, roof</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>repairs, are considered building improvements and are allocated to final cost objectives based on the functional assignment of building square footage within the building being renovated.</p> <p>Research Laboratory Renovations</p> <p>These are renovations to improve existing research laboratories or create new ones. Costs of these renovations are allocated entirely to the Organized Research function.</p> <p>Office Space Renovations</p> <p>These are renovations of departmental office spaces. Costs of these renovations are allocated first to each benefiting department. Administrative department office renovations, such as CAO, OSP, or Libraries, are further allocated to final cost objectives based on the specific allocation statistic of their appropriate indirect cost pool (i.e., Central Administration/MTDC, SPA-Central/Ratio of Sponsored Projects to total Sponsored Projects and Sponsored Fund accounts, or Library/Library Population Study). Academic department office renovations are further allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p> <p>Americans with Disabilities Act (ADA) Improvements</p> <p>Projects are "bundled" by building as either recoverable (Education/Research buildings) or non-recoverable. Recoverable projects are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research buildings.</p> <p>Utility Improvements</p> <p>Projects involving renovations to the Utility Plant buildings and improvements to the utility distribution system are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research and Student Related buildings (users of the Utility Plant).</p> <p>Grounds/Common Area Improvements</p> <p>Projects which benefit all of MIT, such as conservation of outside artwork, Institute owned road improvements, and common area landscaping initiatives, are allocated to final cost objectives based on the assignment of building square footage in all MIT On-Campus buildings.</p> <p><b>Provost Reserve</b></p> <p><b>Provost</b> Reserve space is space which is undergoing Major renovation and, upon completion, will be re-assigned. The cost of capital renovation projects to space designated as <b>Provost</b> Reserve will be allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. In addition to possible renovation costs, <b>Provost</b> Reserve space will be allocated its equitable share of Building and Equipment Depreciation, Interest, O&amp;M, and Utilities costs.</p>



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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>Renovations to Leased Space Not Inventoried</p> <p>Every two years, the MIT Space Database (<a href="#">Techspace</a>) is updated by means of a Space Survey. Occasionally, new space is leased and renovated between updates. If the space is assigned to an administrative department, such as CAO, OSP, or Libraries, costs are allocated to final cost objectives based on the specific allocation statistic of the appropriate indirect cost pool (i.e., Central Administration/MTDC, SPA-Central/Ratio of Sponsored Projects to total Sponsored Projects and Sponsored Fund accounts, or Library/Library Population Study). If the space is assigned to an academic department costs are allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p> <p>Renovations to Classrooms and Teaching Laboratories</p> <p>All renovations to classrooms and teaching laboratories are non-recoverable and are entirely allocated to the Instruction/Departmental Research function.</p> <p>Mixed Use Space Improvements</p> <p>Some renovation projects involve mixed use or multiple component space, e.g., classroom and office space or research lab and teaching lab. In these cases, based on identification by Physical Plant of the square footage of each component, the project and its costs are divided into distinct parts and each is allocated to final cost objectives on the appropriate basis described above.</p> <p>Some examples are listed below;</p> <ol style="list-style-type: none"> <li>1) A renovation of \$1 million is planned for a space which will house a classroom and a suite of offices. Physical Plant has identified the total space to be renovated as 10,000 sq./ft. and has further stated that the classroom area will be 4,000 sq./ft. or 40% of the total space. The project will be divided into two distinct parts: 1) a classroom renovation (4,000 sq./ft. - \$400,000) and, 2) an office renovation (6,000 sq./ft. - \$600,000). The classroom renovation would be non-recoverable and would be entirely allocated to the Instruction/Departmental Research function and the offices would be allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</li> <li>2) A renovation of \$.5 million is planned for a space which will house a research laboratory, a classroom and a suite of offices. Physical Plant has identified the total space to be renovated as 12,000 sq./ft. and has further stated that the classroom and the research laboratory areas will each be 3,000 sq./ft. or 25% of the total. The project will be divided into three distinct parts: 1) a classroom renovation (3,000 sq./ft. - \$125,000), 2) a research laboratory renovation (3,000sq./ft. – \$125,000) and, 3) an office renovation (6,000 sq./ft. - \$250,000). The classroom renovation would be non-recoverable and would be entirely allocated to the Instruction/Departmental Research function, the research laboratory would be directly allocated to the Organized Research function, and the office would be allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</li> </ol>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>Equipment-Movable</p> <p>The cost identified with an item of movable equipment which has an acquisition cost of \$5,000 or more and a useful life of more than two years is capitalized. Minor equipment, that which has a value less than \$5,000, is expensed in the current period and allocation to final cost objectives is determined based on the cost collector used. For additional information on capitalized movable equipment costs, we refer you to our Equipment Capitalization policy included here as Attachment B.</p> <p>The annual depreciation of movable equipment located in Auxiliary and Student Activity buildings is allocated to the Other Institutional function. The annual depreciation (see Section 4.1.0 for additional information on depreciation) of movable equipment located in Educational/Research buildings is allocated to benefiting functions on an analysis of the building's space utilization. An equipment depreciation cost per assignable square foot of space is developed for each building. Based on the cost per square foot number, each building's space would be priced by room type and occupying department. Equipment depreciation costs assigned to indirect cost center departments is allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Equipment depreciation costs identified with direct activities such as academic departments and research centers is allocated to the appropriate benefiting major functions (Teaching/Departmental Research and Organized Research) on room type. Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and departmental research laboratories are allocated to the Instruction function. Sponsored research laboratories are allocated to the Organized research function. Joint use space (i.e. office) is allocated to the appropriate major functions on the using departments On-Campus direct salary formula.</p> <p>Capital Improvements to Land</p> <p>Land improvements such as fences, paved walks, driveways and parking lots are capitalized when the project cost exceeds \$100,000 and the improvements have a limited life. For additional information on capitalized land costs, we refer you to our Building Capitalization Policy which is included as Attachment A.</p> <p>The annual depreciation (see Section 4.1.0 for additional information on depreciation) of capital land improvements is allocated to applicable benefiting cost objectives on the following square foot formula.</p> <p>The assignable square feet for each class of MIT buildings (Auxiliary, Student Activity and Educational/Research) is totaled. The total assignable square feet of organized research space (as determined by the square foot analysis done for the Operation and Maintenance cost center allocation) is divided by the total assignable square feet of all building classes On-Campus. The resulting organized research percentage is applied to the depreciation of land improvements and the resulting amount is assigned to the organized research function.</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>Interest</p> <p>Interest expense is incurred by MIT on certain capital building projects and for movable equipment with a unit cost of \$10,000 or more. We only include, as allowable cost, interest paid to external lenders.</p> <p>Interest incurred on borrowed funds used for capital building projects is assigned to accounts that identify the benefiting building.</p> <p>Interest incurred on borrowed funds used for equipment acquisitions are accumulated by accounts that identify the year the funds were borrowed. This interest is pro-rated over the buildings which house the equipment acquired with the borrowed funds. The pro-ratio is based on each building's share of the annual depreciation of this equipment.</p> <p>The interest once identified to the appropriate building is then allocated to benefiting functions on an analysis of the building's space utilization. An interest cost per assignable square foot is developed for each building. Based on this cost per square foot number, each building's space is priced by room type and occupying department. Building interest cost assigned to indirect cost center departments is allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Building interest costs identified with direct activities such as academic departments and research centers is allocated to the appropriate benefiting major function (Teaching/Department Research and Organized Research) on room type. Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and Departmental research laboratories are allocated to the Instructional function. Sponsored research laboratories are allocated to the Organized Research function. Joint use space (i.e. office) is allocated to the appropriate major functions on the using department's On-Campus direct salary formula.</p> <p>(b) Operation and Maintenance</p> <p>This center includes costs incurred by a central service organization for the administration, supervision, operation, maintenance, preservation and protection of the Institute's physical plant.</p> <p>Costs incurred by the plant operation and charged to buildings include custodial salaries and applicable benefits, trade employees (painters, electricians, etc.) salaries and applicable benefits, grounds maintenance and utility costs. The utility costs include the cost of purchasing, producing and maintaining utility service to the Institute buildings. A significant amount of the utility service is provided by a new Cogeneration Plant.</p> <p>Our buildings are divided into the following functional classes. Auxiliary buildings which are used as student residences, Student Activity buildings that are used for athletics and other activities and Educational/Research buildings that are used directly or in support of our teaching and research mission. Each building is identified in our books of account by an account number. Utility consumption, custodial services, ordinary building repairs and grounds maintenance (pro-rated to individual buildings on assignable square feet) are distributed to the appropriate building account number. In the case of leased buildings, the lease cost is assigned to the leased building's account number.</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>Each building's plant cost is allocated to benefiting functions on an analysis of space utilization. The Space Accounting section of Physical Plant maintains detailed space data (INSITE) on all Educational/Research buildings. This database identifies rooms by room type (classroom, teaching lab, research lab, office, etc.). The database also identifies the department using the space.</p> <p>MIT uses the Utility Cost Allocation Factor contained in <a href="#">Uniform Guidance</a>, in its F&amp;A rates, to reflect the effect of increased utilities consumption in laboratory spaces.</p> <p>A cost per assignable square footage of space is developed for each building. Based on the cost per assignable square foot numbers, each building's space is costed by room type and occupying department. Plant costs assigned to indirect cost center departments are allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Plant costs identified with direct activities such as academic departments and research centers are allocated to the benefiting major function (Instruction/Departmental Research or Organized Research) on room type (function). Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and departmental research laboratories and classrooms are allocated to the Instruction/Departmental Research function. Sponsored Research laboratories are allocated to the Organized Research function. Joint use space is allocated to the applicable major functions on the using department's On-Campus direct salary formula. The plant cost center also includes plant burden type activities. This includes the Plant Director's Office, The Space Accounting section of Physical Plant, security, taxes, etc. These costs are distributed between the major building classifications (Auxiliary, Student Activity and Educational/Research) that they benefit on formulas that give primary emphasis to the total assignable square feet of each classification. The total burden cost assigned to the Educational/Research building classification is pro-rated to individual buildings within that classification on total assignable square feet. Each building's burden cost is then pro-rated to the building's room types on square feet. The burden cost is then allocated to the appropriate cost objective using the same methodology employed for costs directly assigned to the building (i.e. custodial) which has been explained in the prior paragraph.</p> <p>(c) General Administration and General Expenses</p> <p>The indirect cost center General Administration and General Expenses is divided into two separate indirect cost centers for allocation purposes. These centers are captioned Central Administration and Campus Administration and TNSC Proxy Service and are explained below.</p> <p>Central Administration</p> <p>This center includes costs incurred in servicing the entire university system including Lincoln Laboratory. Lincoln is a major off-site research laboratory that is directly integrated into the Institute as one of its interdepartmental research laboratories. The Institute receives no fee for managing the Laboratory. Current supervision and relationships between the Campus and Lincoln Laboratory are close including some integrated indirect support costs.</p> <p>Central Administration includes the salaries, applicable benefits and other expenses of the senior officers of the Institute. Other major offices included in this cost center are institution-wide</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>financial management, budget and planning, news office, central personnel and safety. Typical expenses charged to these offices are salaries, applicable benefits, office supplies, meetings, travel and computer services. Liability insurance and professional services (legal, auditing and custodianship of monies and securities) are also charged to this cost center. The center also is charged its applicable share of plant operation and maintenance, interest and building and equipment depreciation.</p> <p>The aggregate expense in this center is allocated to serviced or benefiting functions on the Institute's modified total cost base. This base includes the modified total direct costs identified with the major functions of the Institute, Auxiliary activities, Instruction and Departmental Research and Organized research. The base also includes the costs, including unallowables, identified with indirect cost centers. Included are Department Administration, Library, Medical, Sponsored Program Administration, Student Activities, Student Administration and Campus Administration. We do not allocate central administration costs to facilities (operation and maintenance, etc.) costs.</p> <p><b>Campus Administration</b></p> <p>This center includes costs incurred in servicing the entire university system with the exception of providing direct service to Lincoln Laboratory.</p> <p>Campus Administration includes the campus management data information system including software licensing, server management, purchasing and campus personnel costs. Typical expenses charged to these offices are salaries, applicable benefits, office supplies, meetings, travel and computer service. The center is also charged its applicable share of plant operation and maintenance, interest, and building and equipment depreciation.</p> <p>The aggregate expense in this center is allocated to serviced or benefiting functions on the same modified total cost base used for central administration exclusive of modified total direct cost of Lincoln Laboratory and the Campus Administration, Lincoln Steering Committee and SPA-Off cost pools.</p> <p>Although Campus Administration costs are not directly allocated to Lincoln Laboratory, to the extent that these costs are allocated to Research-Off, they become part of MIT's Off-Campus F&amp;A rate which is applied to all Off-Campus research projects including those at Lincoln Laboratory.</p> <p><b>TNSC Proxy Service</b></p> <p>Computer networking and telephone service is provided to the MIT community by the Telephone/Network Service Center (TNSC) group in the Information Systems and Technology (IS&amp;T) department. The capital cost of equipment and subsequent upgrades is depreciated through the telnet equipment cost pool and allocated to final cost objectives using all assignable square feet (All ASF) of the Institute as a basis.</p> <p>Other costs associated with TNSC services include outside service costs (local and toll call</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>expenses) and internal costs relating to telephone system overhead such as staff salaries, applicable employee benefits and other employee related expenses. This pool also includes costs of providing remote (network) backup services to the community. Some costs such as line installations/activations are not part of the bundled services and are billed to users as incurred. These costs are recovered, to the extent allocable, based on the allocability of the specific cost collector billed.</p> <p>Rev#18 – Unilateral – Cost Accounting Change - Effective July 1, 2016 (FY17)</p> <p>Cost collectors containing the annual operating expense/revenue of the TNSC are captured in the Telnet Service cost pool. Variances between expense and revenues are expenses in the fiscal year incurred and are allocated to benefitting functions using all assignable square feet (All ASF) of the Institute as a basis.</p> <p>(d) Department Administration</p> <p>The Institute is divided into five Schools and the College of Computing. The five schools are Architecture and Planning, Engineering, Science, Humanities and Social Science, and Management. Each school and college is subdivided into academic departments organized according to academic discipline. Academic departments perform the missions of instruction/departmental research and organized research. In addition, the Institute has a number of Laboratories and Centers that are predominantly devoted to organized research activities. Most of these Laboratories and Centers are interdisciplinary, drawing faculty and graduate student participation from any number of academic departments. The schools are managed by Deans, the academic departments by Department Heads and the Laboratories and Centers by Laboratory and Center Directors. There are also Associate Deans, Associate Department heads, Associate Directors and administrative and clerical staff that assist in the management of the departments, laboratories and centers. Department Administration is also charged its appropriate share of general and administration expense, plant operation and maintenance expense, interest and building and equipment depreciation expense.</p> <p>This cost center also includes a small, select group of faculty who hold the title Institute Professor.</p> <p>This designation recognizes their exceptional qualities of leadership and service. Institute Professors report to the Provost and contribute their expertise across department boundaries. They are looked upon as a senior group and a special resource of the Institute.</p> <p>The indirect cost center Department Administration is divided into two separate indirect cost sections. These sections are captioned Department Heads/Institute Professors/Laboratory Directors and Department Headquarters.</p> <p>Department Heads/Institute Professor/Laboratory Directors</p> <p>This center includes the expenses incurred by the Deans, Academic Department Heads and Associate Department Heads and Institute Professors, as well as the expenses incurred by Laboratory and Center Directors, Associate Directors, Assistant Directors and their secretaries. Costs include the expenses of the Lincoln Laboratory Steering Committee (Directors, Assistant</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>Directors, Division and Associate Division Heads) and the Director of Haystack Observatory, both off-site locations.</p> <p>Costs of the Lincoln Laboratory Steering Committee are allocated directly to Lincoln Laboratory.</p> <p>All Other costs are allocated to the organized research function and other final cost objectives on a Modified Total Direct Cost Base which includes Direct Instruction/Departmental Research, Organized Research (exclusive of Lincoln Laboratory volume), and Other Institutional Activities plus the MTDC of any Interdepartmental Laboratory associated with it. Interdepartmental Laboratory Allocation Accounts are not included in the Allocation Base.</p> <p>Department Headquarters</p> <p>The Institute is administered in a manner which differentiates the general support services provided as "departmental administration" from the type of project level support services provided by individuals charged directly to organized research or other final cost objectives. There exists within each academic department a core of administrative personnel who provide a broad range of general support services which jointly benefit the department's instructional and research activities. These duties include maintaining department data and records including department budgets, faculty appointments, Research/Teaching Assistants' appointments, space records and assignments, affirmative action, etc. The salaries, applicable benefits and expenses of headquarters personnel providing this baseline service are charged to specifically designated department headquarters accounts. Accordingly, academic departments do not directly charge Federal research projects for any portion of the salaries of individuals who are engaged in providing this baseline departmental service.</p> <p>In addition to these department headquarters general support services, there may be expenses incurred within each academic department which are of sole benefit either to Instruction or to Research and which can be directly identified to one or the other. There may also be expenses directly charged in part to Instruction and in part to Research. These expenses including clerical salaries incurred in direct support of sponsored research agreements or other final cost objectives are charged directly to those activities. They are not assigned under any circumstance to the department administration cost center and are not reimbursed through research indirect costs.</p> <p>Academic Department Headquarters costs are allocated to Organized Research and other final cost objectives on a Modified Total Direct Cost Base. This base includes Direct Instruction/Department Research, Organized Research, and Other Institutional Activities of each benefiting department plus the salaries and wages of Faculty and Graduate Students working in any Interdepartmental Laboratory associated with it. Interdepartmental Laboratory Allocation Accounts are not included in the Allocation Base.</p> <p>(e) Sponsored Projects Administration</p> <p>The Sponsored Projects Administration office is divided into two separate indirect cost centers for allocation purposes. These centers are captioned Sponsored Project Administration-Central (SPA-Central) and Sponsored Project Administration-Off (SPA-Off).</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>SPA-Central</p> <p>The expenses under this heading are limited to those incurred by a separate organization established primarily to administer sponsored projects and sponsored fund accounts including such functions as grant and contract administration, patent rights, intellectual property rights and committees on special health hazards relating to research. Typical expenses are salaries, applicable benefits, and office and computer expenses of the staff.</p> <p>These costs are allocated to the organized research function and similar final cost objectives on a Modified Total Direct Cost Formula. The formula includes the MTDC of both On and Off-Campus (exclusive of Lincoln Laboratory MTDC) Organized Research, and MTDC of all Sponsored Fund accounts. Sponsored Fund account volume is included in the direct Instruction/Departmental Research Base.</p> <p>Costs assigned to the SPA-Central cost pool benefit both on and off-campus research but not Lincoln Laboratory. To recognize the benefit to off-campus research projects, a transfer, equal to ten percent (10%) of the total allowable cost of the SPA-Central cost pool, is made to the SPA-Off cost pool. Ten percent approximates the off-campus research volume (exclusive of Lincoln Laboratory research volume).</p> <p>SPA-Off</p> <p>The expenses under this heading include the ten percent (10%) transfer of SPA-Central costs, previously explained, and specific Lincoln Laboratory expenses including property accounting for Lincoln Laboratory equipment. Typical expenses are salaries, applicable benefits, and office and computer expenses of the staff.</p> <p>Costs are allocated directly to the Organized Research-Off function since they relate entirely to the administration of Off-Campus organized research activity and Lincoln Laboratory organized research activity. Both SPA cost pools are also charged their appropriate share of general and administration expenses, plant operation and maintenance expense, interest and building and equipment depreciation expense.</p> <p>(f) Library</p> <p>This center incurs costs associated with the operation of the Institute's central Library system. It includes the cost of acquiring and cataloging books and providing general library reader service to users of the system. Library income that qualifies as applicable credits (i.e. lost book replacements) are credited against library cost. Typical expenses include the salaries and applicable benefits of the staff, the cost of books and library materials and computer expenses. The library is also charged its appropriate share of general and administration, plant operation and maintenance expense, interest and building and equipment depreciation.</p> <p>The library is allocated to the Instruction/Department Research and Organized Research functions of the Institute on the basis described as follows:</p> <p>1) The library costs are broken down into the following cost pools per our books of account.</p> <p>A. Acquisition</p>



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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>B. Reserve circulation C. User services D. Administration (Director's Office, etc.) E. Other (Departmental Computing, etc.)</p> <p>2) The cost pools are allocated based on population as follows:</p> <p>A. <u>Acquisition Costs By Library</u></p> <p><u>Humanities Library</u>-primarily an undergraduate library.</p> <p>Allocate-100% to the Instruction/Department Research function.</p> <p><u>Science, Engineering, Architecture and Management Libraries</u>-the population served is highly technical by definition of types of books acquired. The target population and allocation base follows:</p> <p>Faculty-allocate based on faculty salary and wages between the Instruction/Department Research function and the Organized research function.</p> <p>Sponsored Research staff-allocate 100% to the organized research function.</p> <p>Graduate Student- 1) Determine the total number of Graduate Students and the percentage of Graduate Students with Research Assistant (RA) appointments 2) Determine the total payroll amount for all RA's and the percentage of RA salaries paid on research awards 3) Allocate to organized research the number of Graduate Students holding RA appointments X the percentage of RA salaries paid on research awards</p> <p>Faculty-allocate based on faculty salary and wages between the Instruction/Department Research function and the Organized Research function.</p> <p>Sponsored Research staff-allocate 100% to the Organized Research function.</p> <p>Graduate Student-allocate between the Instruction/Departmental Research functions and the Organized Research function based on a study that identifies graduate student sponsored research effort.</p> <p>Other Users-allocate 100% to the Instruction/Departmental Research function.</p> <p>B. <u>Reserve Circulation Cost</u></p> <p>This is an instruction cost and is allocated 100% to the Instruction/Departmental Research function.</p> <p>C. <u>User Service Cost</u></p> <p>Allocate based on the population served which is equivalent to the population in A above and undergraduate students who are allocated 100% to the Instruction/Departmental Research function.</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>D. <u>Administration Cost</u></p> <p>Distribute to pools A, B and C on salaries and wages within each pool. The allocation of these pools) to functions is explained in this section.</p> <p>E. <u>Other Costs</u></p> <p>Allocate to functions on the total Library cost assignment by function resulting from steps A, B and C. The above process results in an allocation of total library costs between the Instruction/Departmental Research function and the Organized Research function.</p> <p>(g) Student Administration and Services</p> <p>This cost is allocated in its entirety to the instruction function.</p> <p>(h) Other Indirect Cost Centers</p> <p>Under the Other category, we have a number of centers that utilize different allocation methodologies. These centers, based on their function, are classified as facility related indirect cost centers or administration related indirect cost centers.</p> <p>Facility Related Indirect Cost Centers</p> <p>Environmental <a href="#">Health</a> Service (EHS)</p> <p>The expenses under this heading are incurred primarily to protect the Institute community from radiation, toxic and biological hazards that can occur in the Institute's many laboratories and building spaces. Permission to use radiation at MIT is obtained from the EHS Radiation Protection Office. The staff of EHS is also on call for assistance in emergencies. Organizationally, the EHS office is a sub-group within our Medical department and reports to the director of the Medical department.</p> <p>Typical Expenses include the salaries and applicable employee benefits of the staff, computer expense, travel, publication costs and material and services. EHS is also charged its appropriate share of plant operation and maintenance expense, interest and building and equipment depreciation.</p> <p>These costs are allocated to the organized research function of the Institute on an estimate of effort expended in MIT's organized research programs vis a vis effort expended against educational/departmental research and non-MIT activities. The estimate is made by the EHS Director after consultation with his staff.</p> <p>Reactor Protection</p> <p>The expenses under this heading are incurred to insure the safe operation of a small reactor housed in a reactor building located on the campus. Because of the potential dangers inherent in this type of operation, radiation specialists are sited to this building on a permanent basis. These specialists report to the director of EHS. The predominant amount of cost is incurred for salaries and applicable benefits. This group is housed in the reactor building and applicable</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>facility costs are identified with the reactor operation.</p> <p>These costs are allocated to the organized research function of the Institute on an analysis of billings to users of the reactor service. The organized research allocation ratio is based on the percentage of billings to organized research accounts over total billings. Total billings included instruction/departmental research accounts, organized research accounts and non-MIT use.</p> <p><b>Special Plant Renovations</b></p> <p>The expenses under this heading are incurred for repairs, renovations and alterations to buildings, and space within buildings, which do not meet the capitalization criteria of materially increasing the useful life or value of a building (see Attachment A). Project costs are assigned to individual project account numbers, and for the most part, represent payments to contractors hired to do the job. Costs of Institute construction, engineers, etc. are also charged to each renovation project they benefit.</p> <p>The majority of these costs are allocated to the organized research function and other final cost objectives based on the assignment of square footage within the building being renovated. Exceptions to this are explained below;</p> <p><b>Demolition/Dismantlement</b></p> <p>Costs of demolishing/dismantling a building or a portion of a building, such as a wing or an addition, will be identified with the demolished/dismantled building and charged to current expense. Costs are allocated to the major functions of the Institute based on the most current ten (10) year occupied history of each demolished building. For additional information regarding demolition/dismantlement see attachment A.</p> <p><b>Americans with Disabilities Act (ADA) Improvements</b></p> <p>Projects are "bundled" by building as either recoverable (Education/Research buildings) or non-recoverable. Recoverable projects are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research buildings.</p> <p><b>Utility Improvements</b></p> <p>Projects involving renovations to the Utility Plant buildings and improvements of the utility distribution system are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research and Student Related buildings (users of the Utility Plant).</p> <p><b>Grounds/Common Area Improvements</b></p> <p>Projects which benefit all of MIT, such as conservation of outside artwork, Institute owned road improvements, and common area landscaping initiatives, are allocated to final cost objectives based on the assignment of On-Campus building square footage in all MIT buildings.</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p><b>Provost Reserve</b></p> <p><b>Provost</b> Reserve space is space which is undergoing Major renovation and, upon completion, will be re-assigned. The cost of renovation projects to space designated as <b>Provost</b> Reserve will be allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. In addition to possible renovation costs, <b>Provost</b> Reserve space will be allocated its equitable share of Building and Equipment Depreciation, Interest, O&amp;M, and Utilities costs.</p> <p>Renovations to Leased Space not Inventoried</p> <p>Every two years, the MIT Space Database is updated by means of a Space Survey. Occasionally, new space is leased and renovated between updates. In these cases, the renovation cost is allocated to final cost objectives based on the distribution of salaries to the Instruction/Departmental Research and Organized research functions On-Campus of the benefiting department.</p> <p><b>Medical Department</b></p> <p>The expenses under this heading are incurred for the operation of a Medical Department which serves our students, employees, their families and others associated with the Institute. Our employees can choose from a range of health insurance plans including an MIT operated health maintenance plan. Typical costs incurred by the department are the salaries and applicable employee benefits of staff doctors, nurses and administrative staff as well as various clinic expenses, outside doctors, computer expenses, etc. The Medical Department's appropriate share of general and administration, plant operation and maintenance expense, interest and building and equipment depreciation are also charged to this cost center.</p> <p>At each fiscal year end closing, an estimate is made of primary care costs incurred by non-student employees. This cost is journalized out of the Medical Department to the employee benefit cost center. Employee benefit costs are distributed via employee benefit rates to the various MIT activities (see the Employee Benefit continuation sheet).</p> <p>During the computation of the actual indirect incurred cost study, we utilize statistical data on unit of visits to distribute gross medical costs to the different classes of users (students, non-student employees and other. Income generated from third party insurers, MIT-HMO premiums, the primary care allocation to benefits and billings to individuals are off-set against the applicable class of users. Net employee medical costs, resulting from a variance in the fiscal year end estimate of employee costs and the actual employee costs based on units of visits, is carried forward and becomes a component of future employee benefits rates.</p> <p><b>Nuclear Reactor Deficit</b></p> <p>This cost center records the net operating results of the MIT reactor. MIT operates a nuclear reactor service center that provides the focus for a wide range of teaching and research programs involving the use of nuclear radiation. To expand the user base and to minimize MIT operating costs, the reactor also irradiates silicon for non-MIT customers. Because of a limited user base for this type of operation, the facility has an annual operating loss. The annual loss is charged to this cost center.</p>

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3.1.0	<p><b><u>Indirect Cost Categories - Accumulation and Allocation.</u></b> (Continued)</p> <p>These costs are allocated to the organized research function of the Institute on an analysis of billings to users of the reactor service. The organized research allocation ratio is based on the percentage of billings to organized research accounts over total billings. Total billings include instruction/departmental research accounts, organized research accounts and non-MIT use.</p> <p>Division of Comparative Medicine (DCM)</p> <p>The expenses under this heading are incurred in conducting the business and regulatory management of the animal care and use program. A major function of the professional veterinary staff charged to this account is to oversee quality assurance programs for the Institute's animal colonies and quarantine programs instituted to protect personnel from microorganisms that can potentially be transmitted between animals and humans. Typical expenses are salaries, applicable employee benefits, computer expense, travel, protocol committee expense and office expenses. DCM is housed in an animal facility building and applicable facility costs are identified with the animal facility operation.</p> <p>The office services MIT research programs that utilize animals as well as non-Institute users (Howard Hughes Medical Institute, <a href="#">Broad Institute</a>, and Whitehead Institute) of animals.</p> <p>These costs are allocated to the organized research function of the Institute on an analysis of billings of our animal care facility. The organized research allocation ratio is based on the percentage of animal care billings to organized research accounts over total billings. Total billings include instruction/unsponsored research accounts, organized research accounts and non-MIT animal care billings.</p> <p>Software Depreciation</p> <p>Effective FY 2000, in accordance with AICPA SOP 98-1, certain costs associated with the purchase and/or internal development of software will be capitalized and depreciated over the useful life of the software. Depreciation costs are allocated to benefiting Institute functions in accordance with the use of each particular software project (i.e., Accounting software --- G&amp;A, Library software --- Library, Medical software --- Medical). For additional information on MIT's software capitalization policy see attachments B and E.</p> <p>Transfers</p> <p>As prescribed in <a href="#">Uniform Guidance</a>, we have established several "separate groupings of cost" in order to achieve the proper allocation and distribution of these costs to organized research. We, at times, achieve this proper allocation by transferring costs among or between various cost groupings.</p>
3.2.0	<p><b><u>Service Centers.</u></b></p> <p>(b) Animal Care Facility</p> <p>This center has the responsibility of providing the MIT community with animals that are used in the Institute's teaching and research activities. Animals are also provided to non-MIT users (primarily the Howard Hughes Medical Institute and the Whitehead Institute). In addition, MIT animal technicians care for Whitehead Institute animals housed in Whitehead facilities. Billings</p>

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3.2.0	<p><b><u>Service Centers..</u></b> (Continued)</p> <p>to Whitehead for this service are credited to the facility account. The center's costs include the cost of purchasing the animals and the cost of bedding, food, cages, and the salaries and applicable employee benefits of the staff. The cost of acquiring the animal plus a small handling charge is billed to the user of the animal. Additionally, the cost of caring, immunizing and housing animals are charged to users via a per diem rate. All users of the facility are charged for services based on a uniform rate schedule with the following exceptions. In some limited number of cases where a researcher leaves MIT to go to another university and wants to maintain his/her animals here temporarily, there is a 50% surcharge added to the normal rate. The 50% surcharge acts as a disincentive to non-MIT use of limited animal space. A second exception occurs when MIT faculty, or research scientists, collaborates in a non-MIT research project that houses animals in our facilities. In this case, the charge for animal services will include a surcharge of 30%. Surcharges are not applied to MIT, Howard Hughes, <a href="#">Broad Institute</a>, or Whitehead Institute projects.</p> <p>Annual net operating results (deficits or surpluses) are carried forward into the subsequent accounting periods and are factored into the per diem rate structure.</p> <p>Animal costs (except the equipment component) charged to organized research accounts through the above billing procedure are burdened with the appropriate organized research indirect cost rate.</p> <p>Facility related costs (operation and maintenance, interest and depreciation) and MIT administrative costs are not charged to the center. These costs are allocated through the indirect cost process to benefiting cost objectives. Facility related costs are allocated to the organized research function of the Institute on an analysis of the billings of our animal care facility. The organized research allocation ratio is based on the percentage of animal care billings to MIT organized research accounts over total billings less Whitehead Institute billings. Whitehead's share of the space related costs are based on a census of their animals housed in MIT facilities over the total number of animals housed in these facilities. The resulting percentage is applied to the facility costs and allocated to Whitehead. The remaining space costs are then allocated on the previously mentioned billing analysis formula. MIT administrative costs are allocated to cost objectives using the appropriate modified total cost formula.</p> <p>(d1) Plant Operation and Maintenance-Shops</p> <p>The plant operation and maintenance department employs a staff to help in maintaining and preserving the Institution's physical plant. This staff has skills necessary to the proper maintenance of the following systems and areas.</p> <p>Electrical Plumbing Carpentry Painting Metal, Shade and Glass Locksmiths Heat, Vent and Air Conditioning Structural Grounds</p>

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3.2.0	<p><b><u>Service Centers..</u></b> (Continued)</p> <p>Cost objectives (accounts) benefiting from the services of these shop people are charged based on an hourly rate. The rate includes a burden factor that is intended to cover the employee's down time (vacation, sick, etc.), supervisory costs and other associated costs. These costs are accumulated in homogeneous shop groupings in a series of accounts that are referred to as shop overhead accounts. The burden component of the hourly charge is credited to the appropriate shop overhead account. Annual variances between billed and actual overhead costs are allocated to benefiting cost objectives on the Institute's total assignable square foot formula. The allocation to organized research is determined by the percentage of organized research assignable square feet over the total Institute assignable square feet.</p> <p>The predominant amount of the cost assigned via the shop hourly rate is charged to plant building <b>cost collectors</b>. These building <b>cost collectors</b> are explained under the Operation and Maintenance section of this write up.</p> <p>In addition to the above, we have developed multi-shop teams responsible for groups of buildings (local zones). These multi-shop teams are familiar with and accountable for the maintenance of buildings within their zone. The teams for the most part are staffed by people able to perform a broad scope of non trade specific repair tasks. A task that requires high levels of skills in electrical work, plumbing work, etc. is considered a trade specific task. The cost associated with these teams would be pro-rated to individual buildings within the zone on assignable square feet.</p> <p>Plant Operation and Maintenance has assumed responsibility for Institute mail. The mail distribution system is managed centrally. A <b>cost collector</b> accumulates the costs of managing the system and other costs associated with mail service such as a centrally located postage machine that is used for most mailings. Benefiting cost objectives are charged directly for the cost of postage plus a markup to cover the cost of central staff, machines and other related costs. Annual variances between billed and actual mailing costs are charged to benefiting cost objectives on the Institute's total assignable square foot formula.</p> <p>Other distribution costs (mail pick up and delivery to buildings) are prorated to individual buildings on assignable square feet.</p> <p>(c3,4) Central Utilities Plant and Cogeneration Facility</p> <p>The Central Utility Plant and Cogeneration Facility together make up MIT's "utility plant" and produce and deliver electricity, steam and chilled water to many of our buildings located within the Cambridge Campus. Utility Plant <b>cost collectors</b> accumulate the cost of providing the product and are credited with revenues generated from assigning the cost to benefiting building accounts. A small number of our buildings receive their utility service from private utility providers who bill the cost of the service directly to the benefiting building. In addition, a very limited number of sponsored research projects are billed directly for extraordinary utility consumption. The charge to the research project is not burdened with the Institute indirect cost rate. The following rate structures are used to distribute utility costs to benefiting buildings.</p> <p>Electricity</p> <p>The typical types of cost identified with the production of electricity includes operational and maintenance labor, fuel attributable to electrical generation, services and materials. The cost</p>

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3.2.0	<p><b><u>Service Centers..</u></b> (Continued)</p> <p>Facility related costs (operation and maintenance of the building, interest and depreciation) and MIT administrative costs are not charged to the center. These costs are allocated through the indirect cost process to benefiting cost objectives. Facility related costs are allocated to the organized research function of the Institute on an analysis of reactor billings. The organized research allocation is based on the percentage of billings to organized research accounts over total billings. Total billings include instruction accounts, organized research accounts and non-MIT use. MIT administrative costs are allocated to cost objectives using the appropriate modified total cost formula.</p> <p>The reactor user base includes organized research accounts, academic departments, non profit external users and for profit external users. The reactor rate schedule is based on the type and level of service required by the customer and the type of customer. Because of a limited user base for this type of operation, the facility has an annual operating loss. This loss has been reduced by expanding the user base by irradiating silicon for non-MIT customers. The following explains the charging policy.</p> <p>Organized Research</p> <p>These accounts are charged uniform user rates based on the level and type of service and can all avail themselves of the following discount policy. Discounts for long term use of a particular facility of the reactor such as a beam port or through port are available. These discounts range from 5% to 15% depending on the length of time a particular facility is reserved for use. Reactor costs charged to organized research accounts through the above billing process are burdened with the appropriate organized research indirect cost rate.</p> <p>Academic Use-Fund Accounts and General Accounts</p> <p>These <b>cost collectors</b> are charged for reactor services on the same rate schedule and can avail themselves of the same discount policy detailed under organized research accounts.</p> <p>Non Profit External Users</p> <p>Non-profit external users of the reactor such as the hospitals and federally-sponsored research facilities are charged the same rates as organized research and academic users plus a surcharge. Most of these customers use a process that is identified as "irradiations" which are either one time events or occur only occasionally during the year.</p> <p>There are times when some non profit organizations do not have sufficient funding to cover the full cost of the irradiation service. Under those circumstances, the user can request funding through the DOE Reactor Sharing Program.</p> <p>For Profit External Users - Small Users</p> <p>There is a group of for profit customers that use the reactor for irradiation service. Unlike the service provided to the previously listed user types, this irradiation does not involve any research. These users are billed at rates that reflect the type of service provided.</p>

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3.2.0	<p><b><u>Service Centers..</u></b> (Continued)</p> <p>For Profit External Users - Large Users</p> <p>Currently, the reactor has two large external users. The reactor provides an irradiation service that irradiates pure silicon for these customers. The service does not involve research. Long term contracts have been negotiated with these companies (Komatsu and Wacker) at rates that are expected to significantly reduce the reactor deficit.</p> <p>Waiver of Charge</p> <p>In some circumstances, a user will not have funds to pay for reactor services. If the services are provided and the rate charge is waived, the cost will be isolated in a separate <a href="#">cost collector</a>. This cost will not be included in the reactor deficit that is allocated to benefiting cost objectives including organized research that is explained in the following paragraph.</p> <p>The reactor's annual operating deficit is allocated to the organized research function of the Institute on an analysis of billings to users of the reactor service. The organized research allocation ratio is based on the previously explained percentage of billings to organized research accounts over total billings.</p> <p><b><u>(d5) Microsystems Technology Laboratory (MTL)</u></b>  MTL, an interdepartmental laboratory at MIT, operates a set of shared experimental facilities enabling research across the Institute. The primary areas of research supported by MTL facilities are; Electronics, photonics, spintronics, and excitonics device technologies, semiconductor processes and designs, integrated circuits and systems, and systems prototyping.</p> <p>Charges for use of MTL facilities are designed to recover approximately 70% of the cost of operating MTL. The remaining costs are subsidized by industrial gifts and institute funds. With the exception of a materials inventory account, all MTL service center accounts are brought to a zero balance at FYE. No balances are carried forward.</p> <p><b><u>(d6) MIT.nano</u></b>  MIT.nano is an advanced facility open to the entire MIT community, providing a state-of-the-art environment and tools sets to enable nano-scale research. MIT.nano creates MIT's first single facility with complete nano capabilities and will be a nexus for collaboration and cross-disciplinary problem-solving. Impacts are anticipated in the areas of; computing and communications, energy, health and health care, manufacturing, materials and structures, prototyping, and toolmaking.</p> <p>Charges for use of MIT.nano facilities are designed to recover approximately 70% of the cost of operating MIT.nano. The remaining costs are subsidized by industrial gifts and institute funds. With the exception of a materials inventory account, all MIT.nano service accounts are brought to a zero balance at FYE. No balances are carried forward.</p> <p>Rev#21 – Administrative – Effective April 5, 2018 (FY18)</p>

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3.2.0	<p><b><u>Service Centers..</u></b> (Continued)</p> <p><b><u>(d7) Bio-Micro Center</u></b> The MIT Bio-Micro Center is an integrated genomics core facility that provides both expertise and equipment for systems biology. The core has significant resources in next generation sequencing and in high throughput screening as well as bioinformatics and Bio-IT. The Center is a joint endeavor between the Department of Biology, the Koch Institute for Integrative Cancer Research (Genomics Core and Bioinformatics and Computing Core), the Department of Biological Engineering and the MIT Center for Environmental Health Sciences (Genomics and Informatics Facilities Core).</p> <p><b><u>(d8) MIT Central Machine Shop</u></b> The Central Machine Shop provides convenient, flexible and cost-effective machine shop services to the MIT research community and acts as a clearing house for sending appropriate jobs to external shops.</p>
3.3.0	<p><b><u>Indirect Cost Pools and Allocation Bases.</u></b></p> <p><b><i>Facilities and Administrative (F&amp;A) Rates</i></b> The Institute has two separate F&amp;A rates, i.e., On Campus and Off Campus. These rates are developed based on cost benefit with the primary difference being the allocation and distribution of the Facilities component of the rate.</p> <p><b><i>Employee Benefits (EB) Rates</i></b> The Institute has three separate Employee Benefit rates, i.e., On campus, Off Campus and Part-time employees and non-registered students. The basic difference in the On and Off campus rates is the exclusion of the Off campus salary base from the distribution of Parking and Sabbatical Leave costs. Costs distributed to the part-time employees and non-registered students salary base include social security, workers' compensation and parking.</p> <p><b><i>Vacation Accrual Rates</i></b> The Institute has two separate Vacation Accrual rates, i.e., On Campus and Off Campus. Both are charged to Sponsored Research only. The costs are separately accrued for On and Off Campus and are charged only to those categories of salaries being accrued.</p> <p><b><i>Interdepartmental Laboratory (IDL) Allocation Rates</i></b> The Institute has a number of Interdepartmental Laboratories. Each of these Laboratories maintains an "Allocation Account" for purposes of accumulating and distributing administrative costs to grants/contracts within their laboratory. Rates are evaluated annually and distribute costs based on MTDC. See attachment F.</p> <p>A) Instruction On and Off</p> <p>This major function includes the accumulated indirect costs identified with instruction, departmental research and other sponsored instructional activities. Indirect costs are allocated to this function based on the allocation formulas detailed in continuation sheet Item 3.4.0 and are distributed to individual projects as follows.</p> <p>Federally sponsored instruction projects and other externally funded projects are charged indirect cost based on the terms of the sponsor/MIT agreement. The resulting assigned indirect cost</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b></p> <p>(a) Depreciation/Use Allowance/Interest</p> <p>Building and Fixed Building Equipment</p> <p>All costs pertaining to new building construction are capitalized with the exception of certain plant costs incurred during the period of construction (i.e. providing heat, light and power). For additional information on capitalized building cost, we refer you to our Building Capitalization policy which is included as Attachment A.</p> <p>Our buildings are divided into the following functional classes. Auxiliary buildings which are used as student residences, Student Activity buildings that are used for athletics and other activities and Educational/Research buildings that are used directly or in support of our teaching and research mission. The annual depreciation of Auxiliary and Student Activity buildings is allocated to the Other Institutional function.</p> <p>Educational/Research buildings' annual depreciation (see Section 4.1.0 for additional information on depreciation) is allocated to benefiting functions on an analysis of the building's space utilization. A building depreciation cost per assignable square foot of space is developed for each building. Based on the cost per square foot number, each building's space would be priced by room type and occupying department. Building depreciation costs assigned to indirect cost center departments would be allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Building depreciation costs identified with direct activities such as academic departments and research centers would be allocated to the appropriate benefiting major function (Departmental Research or Organized research) on room type. Departmental research laboratories would be allocated to the Instruction/Departmental Research function. Sponsored research laboratories are allocated to the Organized Research function. Joint use space (i.e. office) is allocated to the appropriate major functions on the using department's On-Campus direct salary formula. Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective.</p> <p>Capitalized Building Renovations</p> <p>The expenses under this heading are incurred for repairs, renovations and alterations to buildings, and space within buildings, which meet the capitalization criteria of materially increasing the useful life or value of a building (see Attachment A). Project costs are assigned to individual project account number, and for the most part, represent payments to contractors hired to do the job. Costs of Institute construction, engineers, etc. are also charged to each renovation project they benefit.</p> <p>Various methodologies are used in allocating these costs based on the nature of each renovation and its relative benefit to final cost objectives. All allocations are based on square footage as identified in the INSITE Space Accounting System. Specific methodologies and examples are listed below;</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p><b>Building Improvements</b></p> <p>Renovation projects which pertain to basic components of a building, e.g., elevators, windows, roof repairs, are considered building improvements and are allocated to final cost objectives based on the assignment of building square footage within the building being renovated.</p> <p><b>Research Laboratory Renovations</b></p> <p>These are renovations to improve existing research laboratories or create new ones. Costs of these renovations are allocated entirely to the Organized Research function.</p> <p><b>Office Space Renovations</b></p> <p>These are renovations of departmental office spaces. Costs of these renovations are allocated first to each benefiting department. Administrative department office renovations, such as CAO, OSP, or Libraries, are further allocated to final cost objectives based on the specific allocation statistic of their appropriate indirect cost pool (i.e., Central Administration/MTDC, SPA-Central/Ratio of Sponsored Projects to total Sponsored Projects and Fund accounts, or Library/Library Population Study). Academic department office renovations are further allocated to final cost objectives based on the distribution of salaries, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p> <p><b>Americans with Disabilities Act (ADA) Improvements</b></p> <p>Projects are "bundled" by building as either recoverable (Education/Research buildings) or non-recoverable. Recoverable projects are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research buildings.</p> <p><b>Utility Improvements</b></p> <p>Projects involving renovations to the Utility Plant buildings and improvements to the utility distribution system are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research and Student Related buildings (users of the Utility Plant).</p> <p><b>Grounds/Common Area Improvements</b></p> <p>Projects which benefit all of MIT, such as conservation of outside artwork, Institute owned road improvements, and common area landscaping initiatives, are allocated to final cost objectives based on the assignment of building square footage in all MIT On-Campus buildings.</p> <p><b>Provost Reserve</b></p> <p><b>Provost</b> Reserve space is space which is undergoing Major renovation and, upon completion, will be re-assigned. The cost of capital renovation projects to space designated as <b>Provost</b> Reserve will be allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. In addition to possible renovation costs, <b>Provost</b> Reserve space will be allocated its equitable share of Building and Equipment Depreciation, Interest, O&amp;M, and Utilities costs.</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>Renovations to Leased Space Not Inventoried</p> <p>Every two years, the MIT Space Database (<a href="#">Techspace</a>) is updated by means of a Space Survey. Occasionally, new space is leased and renovated between updates. If the space is assigned to an administrative department, such as CAO, OSP, or Libraries, costs are allocated to final cost objectives based on the specific allocation statistic of the appropriate indirect cost pool (i.e., Central Administration/MTDC, SPA-Central/Ratio of Sponsored Projects to total Sponsored Projects and Sponsored Fund accounts, or Library/Library Population Study). If the space is assigned to an academic department costs are allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p> <p>Renovations to Classrooms and Teaching Laboratories</p> <p>All renovations to classrooms and teaching laboratories are non-recoverable and are entirely allocated to the Instruction/Departmental Research function.</p> <p>Mixed Use Space Improvements</p> <p>Some renovation projects involve mixed use or multiple component space, e.g., classroom and office space or research lab and teaching lab. In these cases, based on identification by Physical Plant of the square footage of each component, the project and its costs are divided into distinct parts and each is allocated to final cost objectives on the appropriate basis described above. Some examples are listed below;</p> <p>A renovation of \$1 million, is planned for a space which will house a classroom and a suite of offices. Physical Plant has identified the total space to be renovated as 10,000 sq./ft. and has further stated that the classroom area will be 4,000 sq./ft. or 40% of the total space. The project will be divided into two distinct parts: 1) a classroom renovation (4,000 sq./ft. – \$400,000) and, 2) an office renovation (6,000 sq./ft. - \$600,000). The classroom renovation would be non-recoverable and would be entirely allocated to the Instruction/Departmental Research function and the offices would be allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p> <p>A renovation of \$.5 million, is planned for a space which will house a research laboratory, a classroom and a suite of offices. Physical Plant has identified the total space to be renovated as 12,000 sq./ft. and has further stated that the classroom and the research laboratory areas will each be 3,000 sq./ft. or 25% of the total. The project will be divided into three distinct parts: 1) as renovation (3,000 sp./ft. - \$125,000), 2) a research laboratory renovation (3,000sq./ft. – \$250,000) and, 3) an office renovation (6,000 sq./ft. - \$250,000). The classroom renovation would be non-recoverable and would be entirely allocated to the Instruction/Departmental Research function, the research laboratory would be directly allocated to the Organized Research function, and the office would be allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>Equipment-Movable</p> <p>The cost identified with an item of movable equipment which has an acquisition cost of \$5,000 or more and a useful life of more than two years is capitalized. Minor equipment, that which has a value less than \$5,000, is expensed in the current period and allocation to final cost objectives is determined based on the cost collector used. For additional information on capitalized movable equipment costs, we refer you to our Equipment Capitalization policy included here as Attachment B.</p> <p>The annual depreciation of movable equipment located in Auxiliary and Student Activity buildings is allocated to the Other Institutional function.</p> <p>The annual depreciation (see Section 4.1.0 for additional information on depreciation) of movable equipment located in Educational/Research buildings is allocated to benefiting functions on an analysis of the building's space utilization. An equipment depreciation cost per assignable square foot of space is developed for each building. Based on the cost per square foot number, each building's space would be costed by room type and occupying department. Equipment depreciation costs assigned to indirect cost center departments is allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Equipment depreciation costs identified with direct activities such as academic departments and research centers is allocated to the appropriate benefiting major functions (Teaching/Departmental Research and Sponsored Research) on room type. <a href="#">Provost</a> Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and departmental research laboratories are allocated to the Instruction function. Sponsored research laboratories are allocated to the Organized research function. Joint use space (i.e. office) is allocated to the appropriate major functions on the using departments On-Campus direct salaries and employee benefits.</p> <p>Capital Improvements to Land</p> <p>Land improvements such as fences, paved walks, driveways and parking lots are capitalized when the project cost exceeds \$100,000 and the improvements have a limited life. For additional information on capitalized land costs, we refer you to our Building Capitalization Policy which is included as Attachment A.</p> <p>The annual depreciation (see Section 4.1.0 for additional information on depreciation) of capital land improvements is allocated to applicable benefiting cost objectives on the following square foot formula.</p> <p>The assignable square feet for each class of MIT buildings (Auxiliary, Student Activity and Educational/Research) is totaled. The total assignable square feet of organized research space (as determined by the square foot analysis done for the Operation and Maintenance cost center allocation) is divided by the total assignable square feet of all building classes. The resulting organized research percentage is applied to the depreciation of land improvements and the resulting amount is assigned to the organized research function.</p>



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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>Interest</p> <p>Interest expense is incurred by MIT on certain capital building projects and for movable equipment with a unit cost of \$10,000 or more. We only include, as allowable cost, interest paid to external lenders.</p> <p>Interest incurred on borrowed funds used for capital building projects is assigned to accounts that identify the benefiting building.</p> <p>Interest incurred on borrowed funds used for equipment acquisitions are accumulated by accounts that identify the year the funds were borrowed. This interest is prorated over the buildings which house the equipment acquired with the borrowed funds. The pro-ration is based on each building's share of the annual depreciation of this equipment.</p> <p>The interest once identified to the appropriate building is then allocated to benefiting functions on an analysis of the building's space utilization. An interest cost per assignable square foot is developed for each building. Based on this cost per square foot number, each building's space is costed by room type and occupying department. Building interest cost assigned to indirect cost center departments is allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Building interest costs identified with direct activities such as academic departments and research centers is allocated to the appropriate benefiting major function (Instruction/Departmental Research and Organized Research) on room type. Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and Departmental research laboratories are allocated to the Instructional function. Sponsored research laboratories are allocated to the Organized Research function. Joint use space (i.e. office) is allocated to the appropriate major functions on the using department's On-Campus direct salaries and employee benefits.</p> <p>(b) Operation and Maintenance</p> <p>This center includes costs incurred by a central service organization for the administration, supervision, operation, maintenance, preservation and protection of the Institute's physical plant.</p> <p>Costs incurred by the plant operation and charged to buildings include custodial salaries and applicable benefits, trade employees (painters, electricians, etc.) salaries and applicable benefits, grounds maintenance and utility costs. The utility costs include the cost of purchasing, producing and maintaining utility service to the Institute buildings. A significant amount of the utility service is provided by a Cogeneration Plant.</p> <p>Our buildings are divided into the following functional classes. Auxiliary buildings which are used as student residences, Student Activity buildings that are used for athletics and other activities and Educational/Research buildings that are used directly or in support of our teaching and research mission. Each building is identified in our books of account by an account number. Utility consumption, custodial services, ordinary building repairs and grounds maintenance (prorated to individual buildings on assignable square feet) are distributed to the appropriate building account number. In the case of leased buildings, the lease cost is assigned to the leased building's account number.</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>The cost of Auxiliary and Student Activity buildings is allocated to the Other Institutional function.</p> <p>Each Educational/Research building's plant cost is allocated to benefiting functions on an analysis of space utilization. The Space Accounting section of Physical Plant maintains detailed space data on all Educational/Research buildings. This database identifies rooms by room type (classroom, teaching lab, research lab, office, etc.). The database also identifies the department using the space.</p> <p>A cost per assignable square footage of space is developed for each building. Based on the cost per assignable square foot numbers, each building's space is costed by room type and occupying department. Plant costs assigned to indirect cost center departments are allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Plant costs identified with direct activities such as academic departments and research centers are allocated to the benefiting major function (Instruction/Departmental Research or Organized Research) on room type (function). Plant costs related to Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and departmental research laboratories and classrooms are allocated to the Instruction function. Sponsored Research laboratories are allocated to the Organized Research function. Joint use space is allocated to the applicable major functions on the using department's On-Campus direct salaries and employee benefits.</p> <p>The plant cost center also includes plant burden type activities. This includes the Plant Director's Office, The Space Accounting section of Physical Plant, security, taxes, etc. These costs are distributed between the major building classifications (Auxiliary, Student Activity and Educational/Research) that they benefit on formulas that give primary emphasis to the total assignable square feet of each classification. The total burden cost assigned to the Educational/Research building classification is pro-rated to individual buildings within that classification on total assignable square feet. Each building's burden cost is then pro-rated to the building's room types on square feet. The burden cost is then allocated to the appropriate cost objective using the same methodology employed for costs directly assigned to the building (i.e. custodial) which has been explained in the prior paragraph.</p> <p>(c) General Administration and General Expenses</p> <p>The indirect cost center General Administration and General Expenses is divided into <b>multiple</b> separate indirect cost centers for allocation purposes. These centers are explained below.</p> <p>Central Administration</p> <p>This center includes costs incurred in servicing the entire university system including Lincoln Laboratory. Lincoln is a major off-site research laboratory that is directly integrated into the Institute as one of its interdepartmental research laboratories. The Institute receives no fee for managing the Laboratory. Current supervision and relationships between the Campus and Lincoln Laboratory are close including some integrated indirect support costs.</p> <p>Central Administration includes the salaries, applicable benefits and other expenses of the senior officers of the Institute. Other major offices included in this cost center are institution-wide</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>financial management, budget and planning, news office, central personnel and safety. Typical expenses charged to these offices are salaries, applicable benefits, office supplies, meetings, travel and computer services. Liability insurance and professional services (legal, auditing and custodianship of monies and securities) are also charged to this cost center. The center also is charged its applicable share of plant operation and maintenance, interest and building and equipment depreciation.</p> <p>The aggregate expense in this center is allocated to serviced or benefiting functions on the Institute's modified total cost base. This base includes the modified total direct costs identified with the major functions of the Institute which include Auxiliary activities, Instruction/Departmental Research and Organized Research. The base also includes the costs, including unallowables, identified with indirect cost centers. Included are Department Administration, Library, Medical, Sponsored Program Administration, Student Activities, Student Administration and Campus Administration. We do not allocate central administration costs to facilities (operation and maintenance, etc.) costs.</p> <p><b>Campus Administration</b></p> <p>This center includes costs incurred in servicing the entire university system with the exception of providing direct service to Lincoln Laboratory.</p> <p>Campus Administration includes the campus management data information system including software licensing, server management, purchasing and campus personnel costs. Typical expenses charged to these offices are salaries, applicable benefits, office supplies, meetings, travel and computer service. The center is also charged its applicable share of plant operation and maintenance, interest, and building and equipment depreciation.</p> <p>The aggregate expense in this center is allocated to serviced or benefiting functions on the same modified total cost base used for central administration exclusive of modified total direct cost of Lincoln Laboratory and the Campus Administration, Lincoln Steering Committee and SPA-Off cost pools.</p> <p>Although Campus Administration costs are not directly allocated to Lincoln Laboratory, to the extent that these costs are allocated to Research-Off, they become part of MIT's Off-Campus F&amp;A rate which is applied to all Off-Campus research projects including those at Lincoln Laboratory.</p> <p><b>TNSC Proxy Service</b></p> <p>Computer networking and telephone service is provided to the MIT community by the Telephone/Network Service Center (TNSC) group in the Information Systems and Technology (IS&amp;T) department. The capital cost of equipment and subsequent upgrades is depreciated through the telnet equipment cost pool and allocated to final cost objectives using all assignable square feet (All ASF) of the Institute as a basis.</p> <p>Other costs associated with TNSC services include outside service costs (local and toll call expenses) and internal costs relating to telephone system overhead such as staff salaries, applicable employee benefits and other employee related expenses. This pool also includes costs of providing remote (network) backup services to the community. Some costs such as line</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>installation/activation are not part of the bundled services and are billed to users as incurred. These costs are recovered, to the extent allocable, based on the allocability of the specific cost collector billed.</p> <p>Cost collectors containing the annual operating expense/revenue of the TNSC are captured in the Telnet Service cost pool. Variances between expense and revenues are expenses in the fiscal year incurred and are allocated to benefitting functions using all assignable square feet (All ASF) of the Institute as a basis.</p> <p>Rev#18 – Unilateral – Cost Accounting Change - Effective July 1, 2016 (FY17)</p> <p>Expensed Software Development Costs</p> <p>Software development project costs are either expensed or depreciated dependent on the nature of a particular cost (see Attachment E – Guidelines for Accounting Related to Costs of Computer Software Development). Expensed costs are captured in cost pools designed to ensure their appropriate allocation to final cost objectives, e.g., SPA related software development costs are captured in a SPA-IT Upgrades cost pool and allocated to final cost objectives in the same manner as other SPA costs. Similarly, Academic related software development costs are captured in an Academic-IT Upgrades cost pool and allocated 100% to Instruction/Departmental Research.</p> <p>Division of Comparative Medicine (DCM)</p> <p>The expenses under this heading are incurred in conducting the business and regulatory management of the animal care and use program. A major function of the professional veterinary staff charged to this account is to oversee quality assurance programs for the Institute's animal colonies and quarantine programs instituted to protect personnel from microorganisms that can potentially be transmitted between animals and humans. Typical expenses are salaries, applicable employee benefits, computer expense, travel, protocol committee expense and office expenses. DCM is housed in an animal facility building and applicable facility costs are identified with the animal facility operation. The office services MIT research programs that utilize animals as well as non-Institute users (Howard Hughes Medical Institute, Whitehead Institute) of animals.</p> <p>These costs are allocated to the organized research function of the Institute on an analysis of billings of our animal care facility. The organized research allocation ratio is based on the percentage of animal care billings to organized research accounts over total billings. Total billings include instruction/unsponsored research accounts, organized research accounts and non-MIT animal care billings.</p> <p>Medical Department</p> <p>The expenses under this heading are incurred for the operation of a Medical Department which serves our students, employees, their families and others associated with the Institute. Our employees can choose from a range of health insurance plans including an MIT operated health maintenance plan. Typical costs incurred by the department are the salaries and applicable employee benefits of staff doctors, nurses and administrative staff as well as various clinic</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>This cost center also includes a small select group of faculty who hold the title Institute Professor. This designation recognizes their exceptional qualities of leadership and service. Institute Professors report to the Provost and contribute their expertise across department boundaries. They are looked upon as a senior group and a special resource of the Institute.</p> <p>The indirect cost center Department Administration is divided into two separate indirect cost sections. These sections are captioned Department Heads/Institute Professors/Laboratory Directors and Department Headquarters.</p> <p>Department Heads/Institute Professor/Laboratory Directors</p> <p>This center includes the expenses incurred by the Deans, Academic Department Heads and Associate Department Heads and Institute Professors, as well as the expenses incurred by Laboratory and Center Directors, Associate Directors, Assistant Directors and their secretaries. Costs include the expenses of the Lincoln Laboratory Steering Committee (Directors, Assistant Directors, Division and Associate Division Heads) and the Director of Haystack Observatory, both off-site locations.</p> <p>Costs of the Lincoln Laboratory Steering Committee are allocated directly to Lincoln Laboratory. All Other costs are allocated to the organized research function and other final cost objectives on a Modified Total Direct Cost Base which includes Direct Instruction/Departmental Research, Organized Research (exclusive of Lincoln Laboratory volume), and Other Institutional Activities plus the MTDC of any Interdepartmental laboratories associated with it.</p> <p>Department Headquarters</p> <p>The Institute is administered in a manner which differentiates the general support services provided as "departmental administration" from the type of project level support services provided by individuals charged directly to organized research or other final cost objectives. There exists within each academic department a core of administrative personnel who provide a broad range of general support services which jointly benefit the department's instructional and research activities. These duties include maintaining department data and records including department budgets, faculty appointments, Research/Teaching Assistants' appointments, space records and assignments, affirmative action, etc. The salaries, applicable benefits and expenses of headquarters personnel providing this baseline service are charged to specifically designated department headquarters accounts. Accordingly, academic departments do not directly charge Federal research projects for any portion of the salaries of individuals who are engaged in providing this baseline departmental service.</p> <p>In addition to these department headquarters general support services, there may be expenses incurred within each academic department which are of sole benefit either to Instruction or to Research and which can be directly identified to one or the other. There may also be expenses directly charged in part to Instruction and in part to Research. These expenses including clerical salaries incurred in direct support of sponsored research agreements or other final cost objectives are charged directly to those activities. They are not assigned under any circumstance to the department administration cost center and are not reimbursed through research indirect costs.</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>Academic Department Headquarters costs are allocated to Organized Research and other final cost objectives on a Modified Total Direct Cost Base. This base includes Direct Instruction/Department Research, Organized research, and Other Institutional Activities plus the salaries and associated benefits of any Faculty and Graduate Students working in Interdepartmental Laboratories associated with it.</p> <p>(e) Sponsored Projects Administration</p> <p>The Sponsored Projects Administration office is divided into two separate indirect cost centers for allocation purposes. These centers are captioned Sponsored Project Administration-Central (SPA-Central) and Sponsored Project Administration-Off (SPA-Off).</p> <p>SPA-Central</p> <p>The expenses under this heading are limited to those incurred by a separate organization established primarily to administer sponsored projects and sponsored fund accounts including such functions as grant and contract administration, patent rights, intellectual property rights and committees on special health hazards relating to research. Typical expenses are salaries, applicable benefits, and office and computer expenses of the staff.</p> <p>These costs are allocated to the organized research function and similar final cost objectives on a Modified Total direct cost Formula. The formula includes the MTDC of both On and Off-Campus (exclusive of Lincoln Laboratory MTDC) Organized Research, and MTDC of all Sponsored Fund accounts. Sponsored Fund account volume is included in the direct Instruction/Departmental Research Base.</p> <p>Costs assigned to the SPA-Central cost pool benefit both on and off-campus research but not Lincoln Laboratory. To recognize the benefit to off-campus research projects, a transfer, equal to ten percent (10%) of the total allowable cost of the SPA-Central cost pool, is made to the SPA-Off cost pool. Ten percent approximates the off-campus research volume (exclusive of Lincoln Laboratory research volume).</p> <p>SPA-Off</p> <p>The expenses under this heading include the ten percent (10%) transfer of SPA-Central costs, previously explained, and specific Lincoln Laboratory expenses including property accounting for Lincoln Laboratory equipment. Typical expenses are salaries, applicable benefits, and office and computer expenses of the staff.</p> <p>Costs are allocated directly to the Organized research-Off function since they relate entirely to the administration of Off-Campus sponsored activity and Lincoln Laboratory organized research activity. Both SPA cost pools are also charged their appropriate share of general and administration expenses, plan operation and maintenance expense, interest and building and equipment depreciation expense.</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>Graduate Student-allocate between the Instruction/Departmental Research functions and the Organized Research function based on a study that identifies graduate student sponsored research effort.</p> <p>Other Users-allocate 100% to the Instruction/Departmental Research function.</p> <p>B. <u>Reserve Circulation Cost</u></p> <p>This is an instruction cost and is allocated 100% to the Instruction/Departmental Research function.</p> <p>C. <u>User Service Cost</u></p> <p>Allocate based on the population served which is equivalent to the population in A above and undergraduate students who are allocated 100% to the Instruction/Departmental Research function.</p> <p>D. <u>Administration Cost</u></p> <p>Distribute to pools A, B and C on salaries and wages within each pool. The allocation of these pools) to functions is explained in this section.</p> <p>E. <u>Other Costs</u></p> <p>Allocate to functions on the total Library cost assignment by function resulting from steps A, B and C. The above process results in an allocation of total library costs between the Instruction/Departmental Research function and the Organized Research function.</p> <p>(g) Student Administration and Services</p> <p>This cost is allocated in its entirety to the Instruction function.</p> <p>(h) Other Indirect Cost Centers</p> <p>Under the Other category, we have a number of centers that utilize different allocation methodologies. These centers, based on their function, are classified as facility related indirect cost centers or administration related indirect cost centers.</p> <p>Facility Related Indirect Cost Centers</p> <p>Environmental Health Service (EHS)</p> <p>The expenses under this heading are incurred primarily to protect the Institute community from radiation, toxic and biological hazards that can occur in the Institute's many laboratories and building spaces. Permission to use radiation at MIT is obtained from the EHS Radiation Protection Office. The staff of EHS is also on call for assistance in emergencies. Organizationally, the EHS office is a sub-group within our Medical department and reports to the director of the Medical department. Typical Expenses include the salaries and applicable</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>employee benefits of the staff, computer expense, travel, publication costs and material and services. EHS is also charged its appropriate share of plant operation and maintenance expense, interest and building and equipment depreciation.</p> <p>These costs are allocated to the organized research function of the Institute on an estimate of effort expended in MIT's organized research programs vis a vis effort expended against educational/departmental research and non-MIT activities. The estimate is made by the EHS Director after consultation with his staff.</p> <p>Reactor Protection</p> <p>The expenses under this heading are incurred to insure the safe operation of a small reactor housed in a reactor building located on the campus. Because of the potential dangers inherent in this type of operation, radiation specialists are sited to this building on a permanent basis. These specialists report to the director of EHS. The predominant amount of cost is incurred for salaries and applicable benefits. This group is housed in the reactor building and applicable facility costs are identified with the reactor operation.</p> <p>These costs are allocated to the organized research function of the Institute on an analysis of billings to users of the reactor service. The organized research allocation ratio is based on the percentage of billings to organized research accounts over total billings. Total billings included instruction/departmental research accounts, organized research accounts and non-MIT use.</p> <p>Special Plant Renovations</p> <p>The expenses under this heading are incurred for repairs, renovations and alterations to buildings, and space within buildings, which do not meet the capitalization criteria of materially increasing the useful life or value of a building. Project costs are assigned to individual project account numbers, and for the most part, represent payments to contractors hired to do the job. Costs of Institute construction, engineers, etc. are also charged to each renovation project they benefit.</p> <p>The majority of these costs are allocated to the organized research function and other final cost objectives based on the functional assignment of square footage within the building being renovated. Exceptions to this are explained below;</p> <p>Demolition/Dismantlement</p> <p>Costs of demolishing/dismantling a building or a portion of a building, such as a wing or an addition, will be identified with the demolished/dismantled building and charged to current expense. Costs are allocated to the major functions of the Institute based on the most current ten (10) year occupied history of each demolished building. For additional information regarding demolition/dismantlement see attachment A.</p> <p>Americans with Disabilities Act (ADA) Improvements</p> <p>Projects are "bundled" by building as either recoverable (Education/Research buildings) or non-recoverable. Recoverable projects are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research buildings.</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>Utility Improvements</p> <p>Projects involving renovations to the Utility Plant buildings and improvements of the utility distribution system are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research and Student Related buildings (users of the Utility Plant).</p> <p>Grounds/Common Area Improvements</p> <p>Projects which benefit all of MIT, such as conservation of outside artwork, Institute owned road improvements, and common area landscaping initiatives, are allocated to final cost objectives based on the assignment of building square footage in all MIT On-Campus buildings.</p> <p><b>Provost Reserve</b></p> <p><b>Provost</b> Reserve space is space which is undergoing Major renovation and, upon completion, will be re-assigned. The cost of capital renovation projects to space designated as <b>Provost</b> Reserve will be allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. In addition to possible renovation costs, <b>Provost</b> Reserve space will be allocated its equitable share of Building and Equipment Depreciation, Interest, O&amp;M, and Utilities costs.</p> <p>Renovations to Leased Space not Inventoried</p> <p>Every two years, the MIT Space Database (<b>Techspace</b>) is updated by means of a Space Survey. Occasionally, new space is leased and renovated between updates. If the space is assigned to an administrative department, such as CAO, OSP, or Libraries, costs are allocated to final cost objectives based on the specific allocation statistic of the appropriate indirect cost pool (Central Administration - MTDC, SPA-Central – Ratio of Sponsored Projects to total Sponsored Projects and Sponsored Fund accounts, or Library-Library Population Study). If the space is assigned to an academic department costs are allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p> <p>Nuclear Reactor Deficit</p> <p>This cost center records the net operating results of the MIT reactor. MIT operates a nuclear reactor service center that provides the focus for a wide range of teaching and research programs involving the use of nuclear radiation. To expand the user base and to minimize MIT operating costs, the reactor also irradiates silicon for non-MIT customers. Because of a limited user base for this type of operation, the facility has an annual operating loss. The annual loss is charged to this cost center.</p> <p>These costs are allocated to the organized research function of the Institute on an analysis of billings to users of the reactor service. The organized research allocation ratio is based on the</p>

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3.4.0	<p><b><u>Composition of Indirect Cost Pools.</u></b> (Continued)</p> <p>Facility related costs (operation and maintenance, interest and depreciation) and MIT administrative costs are not charged to the center. These costs are allocated through the indirect cost process to benefiting cost objectives. Facility related costs are allocated to the organized research function of the Institute on an analysis of the billings of our animal care facility. The organized research allocation ratio is based on the percentage of animal care billings to MIT organized research accounts over total billings less Whitehead Institute billings. Whitehead's share of the space related costs are based on a census of their animals housed in MIT facilities over the total number of animals housed in these facilities. The resulting percentage is applied to the facility costs and allocated to Whitehead. The remaining space costs are then allocated on the previously mentioned billing analysis formula. MIT administrative costs are allocated to cost objectives using the appropriate modified total cost formula.</p> <p>(c2) Plant Operation and Maintenance-Shops</p> <p>The plant operation and maintenance department employs a staff to help in maintaining and preserving the Institution's physical plant. This staff has skills necessary to the proper maintenance of the following systems and areas.</p> <p>Electrical Plumbing Carpentry Painting Metal, Shade and Glass Locksmiths Heat, Vent and Air Conditioning Structural</p> <p>Grounds</p> <p>Cost objectives (accounts) benefiting from the services of these shop people are charged based on an hourly rate. The rate includes a burden factor that is intended to cover the employee's down time (vacation, sick, etc.), supervisory costs and other associated costs. These costs are accumulated in homogeneous shop groupings in a series of accounts that are referred to as shop overhead accounts. The burden component of the hourly charge is credited to the appropriate shop overhead account. Annual variances between billed and actual overhead costs are allocated to benefiting cost objectives on the Institute's total assignable square foot formula. The allocation to organized research is determined by the percentage of organized research assignable square feet over the total Institute assignable square feet.</p> <p>The predominant amount of the cost assigned via the shop hourly rate is charged to plant building account numbers. These building accounts are explained under the Operation and Maintenance section of this write up.</p> <p>In addition to the above, we have developed multi-shop teams responsible for groups of buildings (local zones). These multi-shop teams are familiar with and accountable for the maintenance of buildings within their zone. The teams for the most part are staffed by people able to perform a broad scope of non-trade specific repair tasks. A task that requires high levels of skills in</p>

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3.5.0	<p><b><u>Composition of Allocation Base.</u></b></p> <p>(a) Depreciation/Use Allowance/Interest</p> <p><u>Building and Fixed Building Equipment</u> Allocated to all cost objectives based on the total Assignable Square Footage (ASF) of each depreciable building.</p> <p><u>Capitalized Building Renovations</u></p> <p><i>Building Improvements</i> Allocated to all cost objectives based on the ASF of the building being renovated</p> <p><i>Research Laboratory Renovations</i> Allocated 100% to the Organized Research function</p> <p><i>Office Space Renovations</i> allocated first to each benefiting department, then; Administrative department office renovations, such as CAO, OSP, or Libraries, are further allocated to final cost objectives based on the specific allocation statistic of their appropriate indirect cost pool (i.e., Central Administration/ MTDC, SPA-Central/Ratio of Sponsored Projects to total Sponsored Projects and Fund accounts, or Library/Library Population Study). Academic department office renovations are further allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p> <p><i>Americans with Disabilities Act (ADA) Improvements</i> Projects are "bundled" by building as either recoverable (Education/Research buildings) or non-recoverable. Recoverable projects are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research buildings.</p> <p><i>Utility Improvements</i> Projects involving renovations to the Utility Plant buildings and improvements to the utility distribution system are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research and Student Related buildings (users of the Utility Plant).</p>

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3.5.0	<p><b>Composition of Allocation Base</b> (continued)</p> <p><i>Grounds/Common Area Improvements</i> Projects which benefit all of MIT, such as conservation of outside artwork, Institute owned road improvements, and common area landscaping initiatives, are allocated to final cost objectives based on the assignment of building square footage in all MIT On-Campus buildings.</p> <p><i>Provost Reserve</i> <b>Provost</b> Reserve space is space which is undergoing Major renovation and, upon completion, will be re-assigned. The cost of capital renovation projects to space designated as <b>Provost</b> Reserve will be allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. In addition to possible renovation costs, <b>Provost</b> Reserve space will be allocated its equitable share of Building and Equipment Depreciation, Interest, O&amp;M, and Utilities costs.</p> <p><i>Renovations to Leased Space Not Inventoried</i> Every two years, the MIT Space Database (<b>Techspace</b>) is updated by means of a Space Survey.</p> <p>Occasionally, new space is leased and renovated between updates. If the space is assigned to an administrative department, such as CAO, OSP, or Libraries, costs are allocated to final cost objectives based on the specific allocation statistic of the appropriate indirect cost pool (i.e., Central Administration/MTDC, SPA-Central/Ratio of Sponsored Projects to total Sponsored Projects and Sponsored Fund accounts, or Library/Library Population Study). If the space is assigned to an academic department costs are allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p> <p><i>Renovations to classrooms and Teaching Laboratories</i> All renovations to classrooms and teaching laboratories are non-recoverable and are entirely allocated to the Instruction/Departmental Research function.</p> <p><i>Mixed Use Space Improvements</i> Some renovation projects involve mixed use or multiple component space, e.g., classroom and office space or research lab and teaching lab. In these cases, based on identification by Physical Plant of the square footage of each component, the project and its costs are divided into distinct parts and each is allocated to final cost objectives on the appropriate basis above.</p> <p><u>Equipment-Movable</u> The annual depreciation (see Section 4.1.0 for additional information on depreciation) of movable equipment located in Educational/Research buildings is allocated to benefiting functions on an analysis of the building's space utilization. An equipment depreciation cost per assignable square foot of space is developed for each building. Based on the cost per square foot number, each building's space would be costed by room type and occupying department. Equipment depreciation costs assigned to indirect cost center departments is allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Equipment depreciation costs identified with direct activities such as academic departments and research centers is allocated to the appropriate benefiting major functions (Teaching/Departmental Research and Sponsored Research) on room type. Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and departmental research laboratories are allocated to the</p>

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3.5.0	<p><b>Composition of Allocation Base</b> (continued)</p> <p>Instruction function. Sponsored research laboratories are allocated to the Organized research function. Joint use space (i.e. office) is allocated to the appropriate major functions on the using department's On-Campus direct salaries and employee benefits.</p> <p><u>Capital Improvements to Land</u> Land improvements such as fences, paved walks, driveways and parking lots are capitalized when the project cost exceeds \$100,000 and the improvements have a limited life. For additional information on capitalized land costs, we refer you to our Building Capitalization Policy which is included as Attachment A. The annual depreciation (see Section 4.1.0 for additional information on depreciation) of capital land improvements is allocated to applicable benefiting cost objectives on the following square foot formula.</p> <p>The assignable square feet for each class of MIT buildings (Auxiliary, Student Activity and Educational/Research) is totaled. The total assignable square feet of organized research space (as determined by the square foot analysis done for the Operation and Maintenance cost center allocation) is divided by the total assignable square feet of all building classes. The resulting organized research percentage is applied to the depreciation of land improvements and the resulting amount is assigned to the organized research function.</p> <p><u>Interest</u> The interest once identified to the appropriate building is then allocated to benefiting functions on an analysis of the building's space utilization. An interest cost per assignable square foot is developed for each building. Based on this cost per square foot number, each building's space is costed by room type and occupying department. Building interest cost assigned to indirect cost center departments is allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Building interest costs identified with direct activities such as academic departments and research centers is allocated to the appropriate benefiting major function (Instruction/Departmental Research and Organized Research) on room type. Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and Departmental research laboratories are allocated to the Instructional function. Sponsored research laboratories are allocated to the Organized Research function. Joint use space (i.e. office) is allocated to the appropriate major functions on the using department's On-Campus direct salaries and employee benefits.</p> <p>(b) Operation and Maintenance</p> <p>Each Educational/Research building's plant cost is allocated to benefiting functions on an analysis of space utilization.</p> <p>A cost per assignable square footage of space is developed for each building. Based on the cost per assignable square foot numbers, each building's space is costed by room type and occupying department. Plant costs assigned to indirect cost center departments are allocated to final cost objectives on the cost centers appropriate formula (i.e. Library on population served). Plant costs identified with direct activities such as academic departments and research centers are allocated to the benefiting major function (Instruction/Departmental Research or Organized Research) on room type (function). Plant costs related to Institute Reserve space (space undergoing major renovation and eventual re-assignment) is allocated to all cost objectives</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART III - INDIRECT COSTS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
3.5.0	<p><b>Composition of Allocation Base</b> (continued)</p> <p>based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. Teaching and departmental research laboratories and classrooms are allocated to the Instruction function. Sponsored Research laboratories are allocated to the Organized Research function. Joint use space is allocated to the applicable major functions on the using department's On-Campus direct salaries and employee benefits.</p> <p>(c) General Administration and General Expenses</p> <p><i>Central Administration</i> allocated to serviced or benefiting functions on the Institute's modified total cost base. This base includes the modified total direct costs identified with the major functions of the Institute which include, Auxiliary activities, Instruction/Departmental Research and Organized Research. The base also includes the costs, including unallowables, identified with indirect cost centers. Included are Department Administration, Library, Medical, Sponsored Program Administration, Student Activities, Student Administration and Campus Administration. We do not allocate central administration costs to facilities (operation and maintenance, etc.) costs.</p> <p><i>Campus Administration</i> allocated to serviced or benefiting functions on the same modified total cost base used for central administration exclusive of modified total direct cost of Lincoln Laboratory and the Campus Administration, Lincoln Steering Committee, and SPA-Off cost pools.</p> <p>Although Campus Administration costs are not directly allocated to Lincoln Laboratory, to the extent that these costs are allocated to Research-Off, they become part of MIT's Off-Campus F&amp;A rate which is applied to all Off-Campus research projects including those at Lincoln Laboratory.</p> <p><i>TNSC Equipment/Proxy Service</i> Costs in this cost pool are allocated to final cost objectives using all on-campus assignable square feet (All ASF) of the Institute as a basis.</p> <p>(d) Department Administration</p> <p><i>Department Heads/Institute Professor/Laboratory Directors</i> Costs of the Lincoln Laboratory Steering Committee are allocated directly to Lincoln Laboratory. All Other costs are allocated to the organized research function and other final cost objectives on a Modified Total Direct Cost Base which includes Direct Instruction/Departmental Research, Organized Research (exclusive of Lincoln Laboratory volume), and Other Institutional Activities of each benefiting department plus the MTDC of any Interdepartmental Laboratory associated with it. Interdepartmental Laboratory Allocation Accounts are not included in the Allocation Base.</p> <p>Although Department Heads/Institute Professors/Lab Directors costs are not directly allocated to Lincoln Laboratory, to the extent that these costs are allocated to Research-Off, they become part of MIT's Off-Campus F&amp;A rate which is applied to all Off-Campus research projects including those at Lincoln Laboratory.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART III - INDIRECT COSTS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
3.5.0	<p><b>Composition of Allocation Base</b> (continued)</p> <p><i>Department Headquarters</i> Academic Department Headquarters costs are allocated to Organized Research and other final cost objectives on a Modified Total Direct Cost Base. This base includes Direct Instruction/ Departmental Research, Organized research, and Other Institutional Activities of each benefiting department plus the salaries and associated benefits of faculty and graduate students working in Interdepartmental Laboratories associated with it. Interdepartmental laboratory Allocation Accounts are not included in the Allocation Base.</p> <p>Although Department Headquarters costs are not directly allocated to Lincoln Laboratory, to the extent that these costs are allocated to Research-Off, they become part of MIT's Off-Campus F&amp;A rate which is applied to all Off-Campus research projects including those at Lincoln Laboratory.</p> <p>(e) Sponsored Projects Administration</p> <p><i>SPA-Central</i> allocated to the organized research function and similar final cost objectives on a Modified Total direct cost Formula. The formula includes the MTDC of both On and Off-Campus (exclusive of Lincoln Laboratory MTDC) Organized Research, and MTDC of all Sponsored Funds. Sponsored Fund volume is included in the direct Instruction/Departmental Research Base.</p> <p><i>SPA-Off</i> Costs are allocated directly to the organized research-Off function since they relate entirely to the administration of Off-Campus sponsored activity and Lincoln Laboratory organized research activity.</p> <p>Although SPA-Off costs are not directly allocated to Lincoln Laboratory, to the extent that these costs are allocated to Research-Off, they become part of MIT's Off-Campus F&amp;A rate which is applied to all Off-Campus research projects including those at Lincoln Laboratory.</p> <p>(f) Library</p> <p>allocated to the organized research and similar functions on the basis of a modified population formula (see description of formula 3.1.0)</p> <p>(g) Student Administration and Services</p> <p>This cost is allocated in its entirety to the Instruction function.</p> <p>(h) Other Indirect Cost Centers</p> <p><u>Environmental Medical Service (EMS)</u> allocated to the organized research function of the Institute on an estimate of effort expended in MIT's organized research programs vis a vis effort expended against educational/departmental research and non MIT activities. The estimate is made by the EMS Director after consultation with his staff.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	CONTINUATION SHEET PART III - INDIRECT COSTS
	Massachusetts Institute of Technology

Item No.	Item Description
3.5.0	<p><b>Composition of Allocation Base</b> (continued)</p> <p><u>Reactor Protection</u> allocated to the organized research function of the Institute on an analysis of billings to users of the reactor service. The organized research allocation ratio is based on the percentage of billings to organized research accounts over total billings. Total billings included instruction/departmental research accounts, organized research accounts and non MIT use.</p> <p><u>Special Plant Renovations</u> The majority of these costs are allocated to the organized research function and other final cost objectives based on the functional assignment of square footage within the building being renovated. Exceptions to this are explained below;</p> <p><i>Demolition/Dismantlement</i> Costs of demolishing/dismantling a building or a portion of a building, such as a wing or an addition, will be identified with the demolished/dismantled building and charged to current expense. Costs are allocated to the major functions of the Institute based on the most recent ten (10) year occupied history of each demolished building. For additional information regarding demolition/dismantlement see attachment A.</p> <p><i>Americans with Disabilities Act (ADA) Improvements</i> Projects are “bundled” by building as either recoverable (Education/Research buildings) or non-recoverable. Recoverable projects are allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research buildings.</p> <p><i>Utility Improvements</i> allocated to final cost objectives based on the assignment of building square footage in all MIT Education/Research and Student Related buildings (users of the Utility Plant).</p> <p><i>Grounds/Common Area Improvements</i> allocated to final cost objectives based on the assignment of building square footage in all MIT On-Campus buildings.</p> <p><u>Provost Reserve</u> <u>Provost</u> Reserve space is space which is undergoing Major renovation and, upon completion, will be re-assigned. The cost of capital renovation projects to space designated as <u>Provost</u> Reserve will be allocated to all cost objectives based on a formula which calculates the ratio of space, within Education/Research buildings, assigned to each cost objective. In addition to possible renovation costs, <u>Provost</u> Reserve space will be allocated its equitable share of Building and Equipment Depreciation, Interest, O&amp;M, and Utilities costs.</p> <p><i>Renovations to Leased Space not Inventoried</i> Every two years, the MIT Space Database (<u>Techspace</u>) is updated by means of a Space Survey. Occasionally, new space is leased and renovated between updates. If the space is assigned to an administrative department, such as CAO, OSP, or Libraries, costs are allocated to final cost objectives based on the specific allocation statistic of the appropriate indirect cost pool (Central Administration - MTDC, SPA-Central – Ratio of Sponsored Projects to total Sponsored Projects and Sponsored Fund accounts, or Library-Library Population Study). If the space is assigned to an academic department costs are allocated to final cost objectives based on the distribution of salaries and employee benefits, of the benefiting department, to the Instruction/Departmental Research and Organized Research functions On-Campus.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART III - INDIRECT COSTS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
3.5.0	<p><b>Composition of Allocation Base</b> (continued)</p> <p>Medical Department</p> <p>At each fiscal year end closing, an estimate is made of primary care costs incurred by non-student employees. This cost is journalized out of the Medical Department to the employee benefit cost center. Employee benefit costs are distributed via employee benefit rates to the various MIT activities (see the Employee Benefit continuation sheet).</p> <p>During the computation of the actual indirect incurred cost study, we utilize statistical data on unit of visits to distribute gross medical costs to the different classes of users (students, non-student employees and other. Income generated from third party insurers, MIT-HMO premiums, the primary care allocation to benefits and billings to individuals are off-set against the applicable class of users. Net employee medical costs, resulting from a variance in the fiscal year end estimate of employee costs and the actual employee costs based on units of visits, is carried forward and becomes a component of future employee benefits rates.</p> <p><u>Nuclear Reactor Deficit</u> allocated to the organized research function of the Institute on an analysis of billings to users of the reactor service. The organized research allocation ratio is based on the percentage of billings to organized research accounts over total billings. Total billings include instruction/departmental research accounts, organized research accounts and non-MIT use.</p> <p><u>Division of Comparative Medicine (DCM)</u> allocated to the organized research function of the Institute on an analysis of billings of our animal care facility. The organized research allocation ratio is based on the percentage of animal care billings to organized research accounts over total billings. Total billings include instruction/unsponsored research accounts, organized research accounts and non-MIT animal care billings.</p> <p><u>Software Depreciation</u> Allocated to benefiting functions of the Institute based on the use of the particular software project (i.e., Accounting software --- G&amp;A, Library software --- Library, Medical software --- Medical dept.). See attachments B and E.</p> <p><b>Allocation Bases used in Items 3.1.0</b></p> <p>Our response on the continuation sheet for Item 3.4.0 explains the allocation formulas that are used for each indirect cost center. However, to respond to specific questions raised in this section, we are expanding the explanation of modified total direct cost. This base is also used when modified total direct cost volume is used in an allocation formula. Its composition conforms to the OMB Circular A-21, Section G2, definition of the distribution base, i, e., salaries and wages, fringe benefits, materials and services, travel, subgrants and subcontracts up to the first \$25,000.</p> <p><b>Service center billings to all users, including those external to MIT, are included in the base.</b></p>



COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART III - INDIRECT COSTS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
3.5.0	<p><b>Composition of Allocation Base</b> (continued)</p> <p><b>Cost Analysis Studies used in the allocation process:</b></p> <p>One special cost analysis study is included in the allocation process.</p> <p>Library</p> <p>The allocation is based on a study that identifies cost with user groups. The study is explained on the continuation sheet for Item 3.4.0 (Library). The study is done annually except for the graduate student allocation ratio which is used for a two year.</p> <p style="text-align: center;"><b>End of Part</b></p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART IV - DEPRECIATION AND USE ALLOWANCES  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description																																																		
4.1.0	<div data-bbox="820 382 917 415" style="text-align: center;">Part IV</div> <p><b><u>Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives.</u></b> (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.)</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Asset Category</u></th><th style="text-align: center;"><u>Depreciation Method</u></th><th style="text-align: center;"><u>Useful Life</u></th><th style="text-align: center;"><u>Property Unit</u></th><th style="text-align: center;"><u>Residual Value</u></th></tr> </thead> <tbody> <tr><td>(a) Land Improvements</td><td style="text-align: center;">A</td><td style="text-align: center;">C</td><td style="text-align: center;">A</td><td style="text-align: center;">A</td></tr> <tr><td>(b) Buildings</td><td style="text-align: center;">A</td><td style="text-align: center;">C</td><td style="text-align: center;">A</td><td style="text-align: center;">A</td></tr> <tr><td>(c) Building Improvements</td><td style="text-align: center;">A</td><td style="text-align: center;">C</td><td style="text-align: center;">A</td><td style="text-align: center;">A</td></tr> <tr><td>(d) Leasehold Improvements</td><td style="text-align: center;">A</td><td style="text-align: center;">B</td><td style="text-align: center;">—</td><td style="text-align: center;">—</td></tr> <tr><td>(e) Equipment</td><td style="text-align: center;">A</td><td style="text-align: center;">C</td><td style="text-align: center;">A</td><td style="text-align: center;">A</td></tr> <tr><td>(f) Furniture and Fixtures</td><td style="text-align: center;">A</td><td style="text-align: center;">C</td><td style="text-align: center;">A</td><td style="text-align: center;">A</td></tr> <tr><td>(g) Automobiles and Trucks</td><td style="text-align: center;">A</td><td style="text-align: center;">C</td><td style="text-align: center;">A</td><td style="text-align: center;">A</td></tr> <tr><td>(h) Tools</td><td style="text-align: center;">A</td><td style="text-align: center;">C</td><td style="text-align: center;">A</td><td style="text-align: center;">A</td></tr> <tr><td>(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).</td><td style="text-align: center;">Y</td><td style="text-align: center;">—</td><td style="text-align: center;">—</td><td style="text-align: center;">—</td></tr> </tbody> </table> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 48%;"> <p><u>Column (1) - Depreciation Method Code</u></p> <p>A. Straight Line B. Expensed at Acquisition C. Use Allowance Y. Other or more than one method <u>1/</u> Office of</p> <p>A-21</p> </div> <div style="width: 48%;"> <p><u>Column (2) - Useful Life Code</u></p> <p>A. Replacement Experience B. Term of Lease C. Estimated service life D. As prescribed for use allowance by</p> <p style="text-align: right;">Management and Budget Circular No.</p> <p>Y. Other or more than one method <u>1/</u></p> </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 48%;"> <p><u>Column (3)- Property Unit Code</u></p> <p>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 Y. Other or more than one method <u>1/</u></p> </div> <div style="width: 48%;"> <p><u>Column (4) - Residual Value Code</u></p> <p>A. Residual value is deducted B. Residual value is not deducted Y. Other or more than one method <u>1/</u></p> </div> </div> <p><u>1/</u> Describe on a Continuation Sheet.</p>	<u>Asset Category</u>	<u>Depreciation Method</u>	<u>Useful Life</u>	<u>Property Unit</u>	<u>Residual Value</u>	(a) Land Improvements	A	C	A	A	(b) Buildings	A	C	A	A	(c) Building Improvements	A	C	A	A	(d) Leasehold Improvements	A	B	—	—	(e) Equipment	A	C	A	A	(f) Furniture and Fixtures	A	C	A	A	(g) Automobiles and Trucks	A	C	A	A	(h) Tools	A	C	A	A	(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).	Y	—	—	—
<u>Asset Category</u>	<u>Depreciation Method</u>	<u>Useful Life</u>	<u>Property Unit</u>	<u>Residual Value</u>																																															
(a) Land Improvements	A	C	A	A																																															
(b) Buildings	A	C	A	A																																															
(c) Building Improvements	A	C	A	A																																															
(d) Leasehold Improvements	A	B	—	—																																															
(e) Equipment	A	C	A	A																																															
(f) Furniture and Fixtures	A	C	A	A																																															
(g) Automobiles and Trucks	A	C	A	A																																															
(h) Tools	A	C	A	A																																															
(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).	Y	—	—	—																																															

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART IV - DEPRECIATION AND USE ALLOWANCES  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
4.1.1	<p><b><u>Asset Valuations and Useful Lives.</u></b> 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)</p> <p>A. <input checked="" type="checkbox"/> Yes</p> <p>B. <input type="checkbox"/> No <u>1/</u></p>
4.2.0	<p><b><u>Fully Depreciated Assets.</u></b> 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).</p> <p>A. <input type="checkbox"/> Yes</p> <p>B. <input checked="" type="checkbox"/> No</p>
4.3.0	<p><b><u>Treatment of Gains and Losses on Disposition of Depreciable Property.</u></b> Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p> <p>A. <input type="checkbox"/> Excluded from determination of sponsored agreement costs</p> <p>B. <input checked="" type="checkbox"/> Credited or charged currently to the same pools to which the depreciation of the assets was originally charged</p> <p>C. <input checked="" type="checkbox"/> Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved</p> <p>D. <input type="checkbox"/> Not accounted for separately, but reflected in the depreciation reserve account</p> <p>Y. <input type="checkbox"/> Other(s) <u>1/</u></p> <p>Z. <input type="checkbox"/> Not applicable</p>
4.4.0	<p><b><u>Criteria for Capitalization.</u></b> (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 subcategory of assets involved which differs from those for the majority of assets).</p> <p>A. Minimum Dollar Amount    \$ <u>5,000</u> .</p> <p>B. Minimum Life Years            <u>2</u> .</p>
4.5.0	<p><b><u>Group or Mass Purchase.</u></b> Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one)</p> <p>A. <input type="checkbox"/> Yes <u>1/</u></p> <p>B. <input checked="" type="checkbox"/> No</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	PART IV - DEPRECIATION AND USE ALLOWANCES CONTINUATION SHEET
	MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Item No.	Item Description																				
4.1.0	<p><b><u>Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives.</u></b></p> <p>Depreciation</p> <p>(1) Other Asset Categories</p> <table><tr><th>Asset Category</th><th>Depreciation Method (1)</th><th>Useful Life (2)</th><th>Property Unit (3)</th><th>Residual Value (4)</th></tr><tr><td>EDP</td><td>A</td><td>C</td><td>A</td><td>B</td></tr><tr><td>Laboratory and Science</td><td>A</td><td>C</td><td>A</td><td>B</td></tr><tr><td>Software</td><td>A</td><td>C</td><td>A</td><td>B</td></tr></table>	Asset Category	Depreciation Method (1)	Useful Life (2)	Property Unit (3)	Residual Value (4)	EDP	A	C	A	B	Laboratory and Science	A	C	A	B	Software	A	C	A	B
Asset Category	Depreciation Method (1)	Useful Life (2)	Property Unit (3)	Residual Value (4)																	
EDP	A	C	A	B																	
Laboratory and Science	A	C	A	B																	
Software	A	C	A	B																	

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART IV - DEPRECIATION AND USE ALLOWANCES CONTINUATION SHEET
	MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Item No.	Item Description
4.3.0	<p><b><u>Gains and Losses.</u></b></p> <p>(b) The proceeds from the sale of assets are credited to the same pools to which the depreciation of the assets was originally charged.</p> <p>(C) When an asset is traded in on the purchase of a new asset, the depreciation cost basis is reduced by the trade-in value.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART IV - DEPRECIATION AND USE ALLOWANCES CONTINUATION SHEET
	MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Item No.	Item Description			
4.4.0	<b><u>Criteria for Capitalization.</u></b>			
		Building Improvements	Land Improvements	Software
	A. Minimum \$ Amount	\$100,000*	\$100,000	\$250,000**
	B. Minimum Life Year	2	2	2
	Capitalization Policy for Software, Equipment, Furniture and Fixtures, Automobiles and Trucks, Tools, EDP, and Laboratory & Science, is included in the Capitalization Policy for Movable Assets. (See Attachment B.)			
	* See Attachment A			
	** See Attachments B + E			
	<b>End of Part</b>			

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART V - OTHER COSTS AND CREDITS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
	Part V
5.1.0	<p><b>Method of Charging Leave Costs.</b> 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))</p> <p>A. <input checked="" type="checkbox"/> Cash</p> <p>B. <input checked="" type="checkbox"/> Accrual <u>1/</u></p>
5.2.0	<p><b>Applicable Credits.</b> This item is directed at the treatment of "applicable credits" as defined in Section C of OMB 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.)</p> <p>A. <input type="checkbox"/> The credits/receipts are offset against the specific direct or indirect costs to which they relate.</p> <p>B. <input type="checkbox"/> The credits/receipts are handled as a general adjustment to the indirect pool.</p> <p>C. <input type="checkbox"/> The credits/receipts are treated as income and are not offset against costs.</p> <p>D. <input checked="" type="checkbox"/> Combination of methods <u>1/</u></p> <p>Y. <input type="checkbox"/> Other <u>1/</u></p> <p><u>1/</u> Describe on a Continuation Sheet. See Continuation Sheet 5.2.0</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART V - OTHER COSTS AND CREDITS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
5.1.0	<p><b><u>Method of Charging Leave Costs.</u></b></p> <p>Sick leave, <b>family leave</b>, holiday pay, sabbatical leave costs and vacations of non-research personnel are charged on the cash basis of accounting. Vacation costs for research personnel are accrued as described in section 2.5.2 and 2.6.1.</p> <p><b>Rev#22 – Compliance with Mass PFMLA/Cost Accounting Change – Effective July 1, 2021 (FY22)</b></p>



COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART V - OTHER COSTS AND CREDITS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
5.2.0	<p><b><u>Applicable Credits.</u></b></p> <p>Applicable credits such as purchase discounts, insurance refunds, reimbursement of legal fees, parking fines etc. are normally offset against the specific direct or indirect costs to which they relate. There are situations in which the credit is treated as income and not offset against the cost, however, the cost is reduced in a manner which would reflect at least a cost reduction equal to the amount of income generated.</p> <p style="text-align: right;"><b>End of Part</b></p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description								
	<p align="center">Instructions for Part VI</p> <p>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.</p> <p>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, and the reporting unit does not have access to the information needed to complete an Item, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)</p>								
6.1.0	<b><u>Pension Plans.</u></b>								
6.1.1	<p><b><u>Defined-Contribution Pension Plans.</u></b> 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.)</p> <table> <thead> <tr> <th>Type of Plan 1</th><th>Number of Plans</th></tr> </thead> <tbody> <tr> <td>A. <u>  </u> Institution employees participate in State/Local Government Retirement Plan(s)</td><td><u>          </u></td></tr> <tr> <td>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</td><td><u>  1  </u></td></tr> <tr> <td>C. <u>  X  </u> Institution has its own Defined - Contribution Plan(s) - 1/</td><td><u>  2  </u></td></tr> </tbody> </table>	Type of Plan 1	Number of Plans	A. <u>  </u> Institution employees participate in State/Local Government Retirement Plan(s)	<u>          </u>	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>  1  </u>	C. <u>  X  </u> Institution has its own Defined - Contribution Plan(s) - 1/	<u>  2  </u>
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C. <u>  X  </u> Institution has its own Defined - Contribution Plan(s) - 1/	<u>  2  </u>								
6.1.2	<p><b><u>Defined-Benefit Pension Plan.</u></b> (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.)</p> <p>1/ Describe on a Continuation Sheet.</p>								

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
6.2.0	<p><b><u>Post Retirement Benefits Other Than Pensions.</u></b> (including post retirement health care benefits) (PRBs). (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> <p>See Continuation Sheet 6.2.0</p>
6.2.1	<p><b><u>Determination of Annual PRB Costs.</u></b> (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><b><u>Self-Insurance Programs (Employee Group Insurance)</u></b>. 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 checked="" type="checkbox"/> When the benefits are paid to an 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 type="checkbox"/> Not Applicable</p>
6.4.0	<p><b><u>Self-Insurance Programs</u></b> (Worker's Compensation, Liability and Casualty Insurance.)</p>
6.4.1	<p><b><u>Worker's Compensation and Liability.</u></b> 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 type="checkbox"/> When provisions for reserves are recorded based on the present value of the liability</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 checked="" type="checkbox"/> Other or more than one method <u>1/</u></p> <p>Z. <input type="checkbox"/> Not Applicable</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	PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
6.4.2	<p><b><u>Casualty Insurance.</u></b> 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 losses are incurred (no provision for reserves)</p> <p>B. <input type="checkbox"/> When provisions for reserves are recorded based on replacement costs</p> <p>C. <input type="checkbox"/> When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.</p> <p>D. <input type="checkbox"/> Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)</p> <p>Y. <input checked="" type="checkbox"/> Other or more than one method <u>1/</u></p> <p>Z. <input type="checkbox"/> Not Applicable</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	<b>CONTINUATION SHEET</b> PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
6.1.1	<p><b><u>Defined-Contribution Pension Plans.</u></b></p> <p>Under the Massachusetts Institute of Technology (MIT) Retirement Plan, employees are entitled to participate in the Supplemental Plan (Defined Contribution) in addition to the Basic Retirement Plan. Employees may contribute an elected percentage (1%-5%) of their salaries and wages on a taxed or tax deferred basis under the Supplemental Plan. MIT matches the employee contribution to the Supplemental Plan on a dollar for dollar basis. Members in the Supplemental Plan choose whether to invest their and MIT's contributions in the Fixed Fund, the Variable Fund or a combination of the two, in accordance with the rules of the Plan.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
6.1.2	<p><b><u>Defined-Benefit Pension Plan.</u></b></p> <p>Defined Benefit Pension expense is determined on the accrual basis under the Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions. MIT's accounting practices are as follow:</p> <p>Actuarial Cost Method - Projected Unit Credit</p> <p>Asset Valuation Method - The market related value of assets is calculated by phasing in to the expected yield method as described in our Actuarial valuation report.</p> <p>Amortization of Transition Obligation - Net obligation as of July 1, 1989 is being amortized over 15 years.</p> <p>Amortization of Prior Service Costs - Straight - line basis over the expected future service of active participants expected to receive benefits under the Plan as of the date such costs are first recognized.</p> <p>Amortization of Actuarial Losses (gains) - Cumulative losses (gains) are amortized over the expected future service of active participants expected to receive benefits under the Plan.</p> <p>Criteria for Charging Actuarial Assumptions and Computations - In accordance with SFAS No. 87.</p> <p>Funding Policy - Contributions are equal to the pension expense calculated under SFAS No. 87.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
6.2.0	<p><b><u>Post-Retirement Benefits Other Than Pensions.</u></b></p> <p>MIT has one Postretirement Benefit Plan being charged to Sponsored Programs; namely, The Massachusetts Institute of Technology Postretirement Welfare Plan. There are approximately 3,200 employees covered under this plan. It includes all categories of employees who have reached 45 years of age and who will receive benefits if they retire from MIT at or beyond age 55 with at least 10 years of participation in the plan.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
6.2.1	<p><b><u>Determination of Annual PRB Costs.</u></b></p> <p>PRB costs are charged to Federally sponsored agreements on the accrual basis of accounting according to the Financial Accounting Statement No. 106. Accounting practices specific to MIT are as follows:</p> <p>Service cost and APBO-projected unit credit actuarial cost method, allocated from date of participation to full eligibility date of age 55 with ten years of participation.</p> <p>Development of medical per capita cost-weighted average of the full premium cost of the medical plans offered for calendar year projected for one-half year at 10% annually to center claims cost at January 1.</p> <p>Market related value of assets-equal to market related value of assets at beginning of fiscal year.</p> <p>Amortization of transition obligation - net obligation is being amortized over 20 years.</p> <p>Amortization of prior service costs-straight line basis over expected future service to full eligibility date of active participants expected to receive benefits under the plan as of the date such costs are first recognized. Pursuant to paragraph 55 of SFAS No. 106, the negative prior service cost created by the change to a defined dollar benefit plan effective December 31, 1994 was used to offset the remaining unrecognized transition obligation.</p> <p>Amortization of cumulative net actuarial losses (gains) - cumulative losses (gains) in excess of the larger of 10% of assets and 10% of APBO are amortized on a straight line basis over expected service to full eligibility of active participants expected to receive benefits under the plan.</p> <p>Criteria for changing actuarial assumptions and computations - in accordance with SFAS No. 106.</p>



COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
6.4.1	<p><b><u>Workers' Compensation and Liability.</u></b></p> <p>1) Worker's Compensation is set up as a reserve according to the guidelines as set forth in FAS-112 based on the present value of the liability.</p> <p>2) MIT's general liability insurance coverage is provided by commercial carriers excess of MIT's defined retention limits.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART VI- DEFERRED COMPENSATION AND INSURANCE COSTS  <b>Massachusetts Institute of Technology</b>
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Item No.	Item Description
6.4.2	<p><b><u>Casualty Insurance.</u></b></p> <p>MIT's casualty insurance coverage is provided by commercial carriers excess of MIT's defined retention limits</p> <p>MIT is also involved in The Controlled Risk Insurance Company (CRICO). This is a group captive insurer providing coverage for Medical Malpractice insurance for MIT physicians. Other members are the Harvard group of teaching hospitals and their related entities.</p> <p style="text-align: center;"><b>End of Part</b></p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VII- CENTRAL SYSTEM OR GROUP EXPENSES
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
	<p>DISCLOSURE BY CENTRAL SYSTEM OFFICE, OR GROUP (INTERMEDIATE ADMINISTRATION) OFFICE, AS APPLICABLE.</p> <p>Instructions for Part VII</p> <p>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.</p> <p>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.</p>
7.1.0	<p><b><u>Organizational Structure.</u></b></p> <p>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.</p>
7.2.0	<p><b><u>Cost Accumulation and Allocation.</u></b></p> <p>On a continuation sheet, provide a description of.</p> <p>A. The services provided to segments of the university or university system (including hospitals, FFRDC's, GOCO facilities, etc.), in brief.</p> <p>B. How the costs of the services are identified and accumulated.</p> <p>C. The basis used to allocate the accumulated costs to the benefiting segments.</p> <p>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.</p> <p>E. Any fixed management fees that are charged to a segment(s) in lieu of a prorate or allocation basis and the basis of such charges. If none, so state.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b>
	PART VII- CENTRAL SYSTEM OR GROUP EXPENSES <b>Massachusetts Institute of Technology</b>

Item No.	Item Description
7.1.0	<p><b><u>Organizational Structure</u></b></p> <p>MIT operates several off-campus research facilities including Lincoln Laboratory which is an FFRDC. These off-campus research facilities are directly integrated into MIT as part of the Research Laboratory system at MIT. Current supervision and relationships are close, including integrated (indirect) support costs. A uniform indirect cost rate encompassing all off-campus research facilities is developed during the rate determination process explained in this Disclosure Statement.</p>
7.2.0	<p><b><u>Cost Accumulation and Allocation</u></b></p> <p>MIT assigns indirect costs to on-campus programs and off-campus facilities. The allocation of indirect costs to off-campus facilities is aggregated in a single off-campus rate for all programs, including Lincoln Laboratory, Haystack Observatory and all other off-campus programs. The following is a summary of the indirect costs allocated to off-campus activities, including Lincoln Laboratory.</p> <p><b><u>General + Administrative Expense</u></b> – MIT accumulates General + Administrative Expenses in two cost pools.</p> <p><b><i>Central Administration</i></b> - Includes costs such as the salaries, applicable benefits and other expenses of the senior officers of the Institute. Expenses of other major offices included in this cost pool are institution-wide financial management, budget and planning, news office, central personnel and safety incurred in servicing the entire university including Lincoln Laboratory. This cost pool is also charged its applicable share of plant operation and maintenance, interest and building and equipment depreciation. The aggregate expense in this cost pool are allocated to serviced or benefiting functions on the Institute's modified total cost base. This base includes the modified total direct costs identified with the major functions of the Institute which include Auxiliary activities, Instruction and Departmental Research, <a href="#">Other Sponsored Activities</a>, and Organized research. The base also includes the costs, including unallowables, identified with indirect cost centers. Included are Department Administration, Library, Medical, Sponsored Program Administration, Student Activities, Student Administration and Campus Administration. We do not allocate central administration costs to facilities (operation and maintenance, etc.) costs.</p> <p><b><i>Campus Administration</i></b> - Includes costs incurred in servicing the entire university with the exception of providing direct service to Lincoln Laboratory. The cost pool is also charged its applicable share of plant operation and maintenance, interest, and building and equipment depreciation. The aggregate expense in this center is allocated to serviced or benefiting functions on the same modified total cost base used for central administration exclusive of modified total direct cost of Lincoln Laboratory and the Campus Administration, Lincoln Steering Committee, and SPA-Off cost pools.</p> <p>Although Campus Administration costs are not directly allocated to Lincoln Laboratory, to the extent that these costs are allocated to Research-Off, they become part of MIT's Off-Campus F&amp;A rate which is applied to all Off-Campus research projects including those at Lincoln Laboratory.</p> <p><b><u>Departmental Administration</u></b> – MIT accumulates Departmental Administration cost in two cost pools.</p> <p><b><i>Department Heads/Institute Professor/Laboratory Directors</i></b> - This center includes the expenses incurred by the Deans, Academic Department Heads and Associate Department Heads and Institute Professors, as well as the expenses incurred by Laboratory and Center Directors, Associate Directors, Assistant Directors and their secretaries. Costs include the expenses of the Lincoln Laboratory Steering Committee (Directors, Assistant Directors, Division and Associate Division Heads) and the Director of Haystack Observatory, both off-site locations.</p> <p>Costs of the Lincoln Laboratory Steering Committee are allocated directly to Lincoln Laboratory. All Other costs are allocated to the organized research function and other final cost objectives on a</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	CONTINUATION SHEET PART VII- CENTRAL SYSTEM OR GROUP EXPENSES
	Massachusetts Institute of Technology

Item No.	Item Description
7.2.0	<p><b><u>Cost Accumulation and Allocation (continued)</u></b></p> <p>Departmental Modified Total Direct Cost (MTDC) Base which includes Direct Instruction/Departmental Research, <a href="#">Other Sponsored Activities</a>, Organized Research (exclusive of Lincoln Laboratory volume), and Other Institutional Activities plus the MTDC of any Interdepartmental Laboratory associated with it. Interdepartmental Laboratory Allocation Accounts are not included in the Allocation Base.</p> <p><b><i>Department Headquarters</i></b> - The Institute is administered in a manner which differentiates the general support services provided as “departmental administration” from the type of project level support services provided by individuals charged directly to organized research or other final cost objectives. There exists within each academic department a core of administrative personnel who provide a broad range of general support services which jointly benefit the department’s instructional and research activities. These duties include maintaining department data and records including department budgets, faculty appointments, Research/Teaching Assistants’ appointments, space records and assignments, affirmative action, etc. The salaries, applicable benefits and expenses of headquarters personnel providing this baseline service are charged to specifically designated department headquarters accounts. Accordingly, academic departments do not directly charge Federal research projects for any portion of the salaries of individuals who are engaged in providing this baseline departmental service. In addition to these department headquarters general support services, there may be expenses incurred within each academic department which are of sole benefit either to Instruction or to Research and which can be directly identified to one or the other. There may also be expenses directly charged in part to Instruction and in part to Research. These expenses including clerical salaries incurred in direct support of sponsored research agreements or other final cost objectives are charged directly to those activities. They are not assigned under any circumstance to the department administration cost center and are not reimbursed through research indirect costs.</p> <p>Academic Department Headquarters costs are allocated to Organized Research and other final cost objectives on a Modified Total Direct Cost Base. This base includes Direct Instruction/Department Research, <a href="#">Other Sponsored Activities</a>, Organized Research, and Other Institutional Activities of each benefiting department plus the salaries and wages of Faculty and Graduate Students working in any Interdepartmental Laboratory associated with it. Interdepartmental Laboratory Allocation Accounts are not included in the Allocation Base.</p> <p><b><u>Sponsored Programs Administration</u></b> – MIT accumulates Sponsored Program Administration costs allocable to off-campus activities in a separate cost pool. Expenses in this cost pool include a ten percent (10%) transfer of SPA-Central costs to recognize the role of the Sponsored Programs Office in administering off-campus projects, and specific Lincoln Laboratory expenses including property accounting for Lincoln Laboratory equipment. Typical expenses are salaries, applicable benefits, and office and computer expenses of the staff.</p> <p>Costs are allocated directly to the Organized Research-Off function since they relate entirely to the administration of Off-Campus organized research activity and Lincoln Laboratory organized research activity. Both SPA cost pools are also charged their appropriate share of general and administration expenses, plant operation and maintenance expense, interest and building and equipment depreciation expense.</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	<b>CONTINUATION SHEET</b> PART VII- CENTRAL SYSTEM OR GROUP EXPENSES
	<b>Massachusetts Institute of Technology</b>

Item No.	Item Description
7.2.0	<p><b><u>Cost Accumulation and Allocation</u></b> (continued)</p> <p><b><u>Building/Equipment Depreciation</u></b> – Building/Equipment Depreciation costs include the depreciable portions of buildings, depreciable renovations and equipment. Costs are allocated to appropriate buildings and subsequently to major functions based on net assignable square footage. Some space (primarily office space) is allocated to final cost objectives using departmental S+W formulas. Costs are allocated to Organized Research Off-Campus activities based on the percentage of Off-Campus salaries to total salaries.</p> <p><b><u>Interest</u></b> – Interest costs include the allocable interest related to buildings and equipment. Costs are allocated to appropriate buildings and subsequently to major functions based on net assignable square footage. Some space (primarily office space) is allocated to final cost objectives using departmental S+W formulas. Costs are allocated to Organized Research Off-Campus activities based on the percentage of Off-Campus salaries to total salaries.</p> <p><b><u>Operations + Maintenance</u></b> – O+M costs include the cost of the operation and maintenance of MIT buildings and grounds as well as renovation/space change costs which are expensed. Costs are allocated to each building and subsequently to final and intermediate cost objectives on the basis of net assignable square footage. Some space (primarily office space) is allocated to final cost objectives using departmental S+W formulas. Costs are allocated to Organized Research Off-Campus activities based on the percentage of Off-Campus salaries to total salaries.</p> <p><b><u>Library</u></b> – Library costs represent the actual operating budget of the MIT Libraries. Costs are allocated to Organized Research Off-Campus activities based on the percentage of Lincoln Laboratory employees included in the Library Allocation Study population formula.</p> <p style="text-align: right;"><b>End of Part</b></p>

**MASSACHUSETTS INSTITUTE OF TECHNOLOGY  
CAPITALIZATION POLICY**

July 1, 1999

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**Scope:**

- 1. Institute-wide excluding income producing property and off-campus locations**

**Policy:**

- 2. Expenditures Which Are Capitalized As Plant Assets**

- A. All costs pertaining to new building construction are capitalized with the exception of certain plant costs incurred during the period of construction (i.e., providing heat, light, power). Costs capitalized include architecture and engineering fees, construction contracts, surveys and borings. The cost capitalized would also include all nonseverable equipment such as elevators, built-in laboratory equipment, heating systems, plumbing systems, etc.

All landscaping associated with the project and parking facilities that are built into the building structure or incidental parking areas abutting the building are also capitalized.

If MIT plant employees contribute to the construction of the building, their salaries, applicable employee benefits, plus shop burden rate are capitalized.

- B. The cost of purchasing an existing structure or the fair market value of a donated structure are capitalized. In addition, all professional service fees relating to the transaction, such as closing costs, consultants, legal and real estate fees are capitalized.

Initial renovations to the building's structure or mechanical systems necessary to bring the building into normal serviceable condition are capitalized. This includes renovations to roofs, floors, fenestration, facade, plumbing system, heating system, etc. Initial renovations necessary to accommodate the specific space needs of the occupants will be subject to the capitalization criteria defined in Section 2.C. This includes renovations to the internal configuration of the building including constructing or remodeling laboratories, offices, conference rooms, classrooms, etc., and any extraordinary mechanical systems demands necessitated by the special and unique needs of the occupants. The book value of the buildings transferred from MIT's Investment Portfolio to Educational Plant are capitalized. Subsequent renovations are subject to the Section 2.C. capitalization criteria.

**MASSACHUSETTS INSTITUTE OF TECHNOLOGY  
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- C. Expenditures for tangible assets (i.e., additions, improvements, replacement of complete units within an existing structure) which materially increase the permanent value of an existing structure or appreciably prolong its useful life, are capitalized when the total MIT funded project cost exceeds the minimum threshold of 100,000. For purpose of this policy, specific projects to be measured against the capitalization threshold are defined as follows: A project is a specific renovation, plan or design, and it will include all renovation costs necessary for fulfillment of the plan. The project is not necessarily limited to one accounting period, but should not exceed three successive accounting periods. In general, there are two specific types of projects at MIT.
- 1) Building Structure/Mechanical Systems Modifications**
- The total cost of this type of project will be computed by accumulating the cost over three successive accounting periods of all renovation work (exclusive of ordinary repairs) to a specific building's structure, mechanical system (normal load), and common areas such as lobbies which are part of a modernization or rehabilitation plan.
- 2) Building Space Change Modification Projects**
- The total cost of this type of project will be measured by accumulating the cost of renovating space per a specific plan or design in a particular building for a specific department. It includes renovations to the internal configuration of the building including constructing or remodeling of laboratories, offices, conference rooms, classrooms, etc., and any extraordinary mechanical system demands necessitated by the special and unique needs of the department.
- D. Extensions of external utility systems (i.e., conduits, manholes) are capitalized. Extensive replacement of external utility systems will also be capitalized. Extensive, in this context, means fifty percent (50%) or more of the utility line measured from manhole to manhole or manhole to building. The distance between these types of stations usually averages one hundred (100) feet in length.
- E. Land improvements such as fences, paved walks, driveways, and parking lots will be capitalized when the project cost exceeds \$100,000 and the improvements have a limited life as opposed to other land costs with an indefinite life.



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**3. Class of Assets**

Expenditures capitalized under the criteria outlined in Section 2.A. through E. above will be assigned to one of the distinct classes of assets listed below. Educational plant, service buildings, and building modifications capitalized after July 1, 1994, will be componentized for the purpose of determining the depreciable life and those assets capitalized prior to July 1, 1994, will be depreciated on lives determined considering the asset as a single unit.

**A. Educational Plant**

Capital expenditures for new construction or acquisition of existing buildings utilized primarily for teaching and research activities of the Institute will be assigned to this class of assets. This class of assets will be depreciated over its expected actual period of usefulness, considering technical and economic obsolescence of the asset.

**B. Service Buildings**

Construction and acquisition costs of buildings used to service the activities of the Institute will be assigned to this class of assets. Examples of buildings included in this class are central utility plants, garages, etc. These assets will be depreciated over their expected periods of usefulness, considering technical and economic obsolescence of the asset or the service it is involved in producing.

**C. Capitalized Building Modifications (Structural, Mechanical, and Space)**

Capitalized modifications to Educational Plant and Service Buildings (Asset Classes A and B above) will be assigned to this class of assets. The cost of these modifications will be depreciated over the expected actual period of usefulness, considering technical and economic obsolescence of the asset. The depreciation will be assigned to research agreements via a method mutually acceptable to the Federal Government and the Institute (i.e., direct charge, discreet indirect cost rate, common indirect cost rate, etc.).

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**D. Land Improvements**

Capital expenditures for land improvements with limited lives will be assigned to this class of assets and depreciated over their estimated useful life.

**4. Expenditures Which are Charged as Current Expense**

**A. Maintenance and Repair**

Expenditures to maintain assets in fit condition to perform their work or to restore assets to a fit condition are expensed.

**B. Demolition or Dismantlement \***

Costs of demolishing/dismantling a building or a portion of a building, such as a wing or an addition, will be identified with the demolished/dismantled building and charged to current expense. For F&A purposes, costs associated with each demolition project will be segregated into separate building demolition cost pools. Costs in each cost pool will be allocated to final cost objectives based on discrete composite building recovery ratios developed using the most recent ten (10) year occupied history of each demolished building.

**C. Rearrangement and Moving**

The cost of moving plant and equipment between different locations including the cost of removal from the original location and reinstallation in the new location are expensed.

Renovations including improvements and replacements made to the new location to accommodate the machinery, equipment, and occupants are expensed if they do not meet the capitalization criteria defined in Section 2.C.

Rearrangements of machinery and equipment within the same space to secure a more efficient plant layout are expensed if they do not meet the capitalization criteria defined in Section 2.C.

**MASSACHUSETTS INSTITUTE OF TECHNOLOGY  
CAPITALIZATION POLICY**

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**D. Renewals and Replacements**

Expenditures for overhauling assets or substitution of parts of a system or a complete system are expensed if they do not meet the capitalization criteria defined in Section 2.C.

**E. Improvements and Betterments**

Expenditures designed to provide increased or improved service are expensed if they do not meet the capitalization criteria defined in Section 2.C.

**5. Special Situations**

From time to time, the Institute is asked to undertake projects of critical national importance. It has often been necessary to construct facilities to meet these requirements. The stated capitalization policy would not preclude mutually acceptable special costing arrangements necessary to meet these unique situations.

*\* Section 4.B (above) revised by MIT, in accordance with DCAA audit of FY 1999 Actual Incurred Cost Submission, beginning with FY 2000*

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CAPITALIZATION FOR MOVABLE ASSETS**

July 1, 2002

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**DEFINITIONS:**

**A. CAPITAL EXPENDITURE**

1. Capital expenditures means the cost of the asset including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of initial modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. It also includes the cost of the incoming transportation incurred on shipments from external suppliers.

**B. EQUIPMENT**

1. Equipment means an article of non expendable, tangible, personal property which stands alone, is complete in itself, does not lose its identity, and has a useful life of more than two years.
  - a. Capital Equipment  
Those items of equipment which have an acquisition cost of \$5,000 or more are capitalized. (Indirect cost is not applied)
  - b. Minor Equipment  
Those items of equipment which have an acquisition cost of less than \$5,000 are expensed. (Indirect cost is applied)

**C. COMPONENT PARTS**

1. Enhancement parts, which materially and permanently increase the value or useful life of the capital item being enhanced (the enhancement part must have an acquisition cost of at least \$5,000) should have their cost added to the original capital cost of the item being enhanced; otherwise, they should be expensed. Enhancement parts will not be capitalized, under any circumstances, if the enhanced item has neither been purchased by MIT, nor been given as a gift to MIT.

2. Replacement parts, required to repair a capital item of equipment and which simply maintain the original function of the equipment, should be expensed.

**D. FABRICATED ITEMS**

1. A fabricated item will be capitalized if the cost of the material making up the fabrication is \$5,000 or greater, the useful life of the item is more than two years, the item is MIT owned or government funded with title and responsibility vested in MIT, and the item is identifiable as a discreet item.

**E. DELIVERABLE END ITEM**

1. This item is defined to include all equipment as well as electrical, electronic, and mechanical components, contractor-acquired and/or sponsor-furnished, which are being incorporated into a deliverable end item under the property terms of a contract/agreement, calling specifically to be constructed and delivered to formal addresses included in the contract/agreement. Deliverable end items are expensed.

**F. MAINTENANCE AND REPAIRS**

1. Expenditures needed to maintain equipment in a proper operating condition or to restore equipment to a proper operating condition are expensed.

**G. SOFTWARE**

1. Computer software purchased or developed internally for internal use, with a total project cost of \$1,000,000 and a capitalizable cost of \$250,000 or more, will be capitalized and depreciated over the useful life of the software. Capitalizable costs include software acquisition costs and certain costs incurred internally for software development, as defined in AICPA Statement of Position 98-1. With the exception of the original operating system purchased with a computer which meets the definition of capital equipment, software costs which do not meet the capitalization criteria are expensed. See also Attachment E – Software Accounting Guidelines.

## Policy on Faculty Effort Reporting

Effective July 1, 1998

### **INTRODUCTION**

This policy rescinds and supersedes prior Institute policies and procedures governing faculty effort reporting and the MIT “Guidelines for Cost Sharing and Matching Funds on Sponsored Projects” dated June 25, 1997.

### **PURPOSE**

Effort reporting is a process mandated by the federal government to verify that direct labor charges to Federally sponsored agreements are reasonable and reflect actual work performed. Effort reporting is also required to ensure that indirect charges to federal awards are reasonable.

[Uniform Guidance \(2 CFR – Part 200\)](#) includes regulatory requirements for the reporting and certification of faculty effort associated with Federal organized research projects and other activities. Effort directly related to organized research and all other activities must be identified in the Institute’s effort distribution/reporting process.

This document describes the Institute’s policy with regard to faculty effort reporting and its relationship to cost-sharing. The Institute’s policy on cost-sharing is included as an addendum to this policy along with implementation guidelines for cost-sharing.

### **GUIDELINES**

MIT uses a plan-confirmation system to meet the [Uniform Guidance](#) requirements for reporting faculty effort. Under the plan-confirmation method, the salaries and wages of faculty are distributed to activities based on estimates of the individual’s planned effort. The employee’s effort distribution must be adjusted for any significant changes in actual effort (at MIT, significant changes are defined as changes that are 10% or more of the individual’s total workload) and the actual effort of the employee must then be certified on an after-the-fact basis.

### **THE MIT PLAN CONFIRMATION SYSTEM**

The MIT system uses two documents to meet the [Uniform Guidance](#) requirements of a plan-confirmation system: the [eSANDI](#) and the [eDACCA](#).

The [eSANDI](#) report is the plan and after-the-fact certification of an individual’s total effort. The [eSANDI](#) report is produced by department and includes the distribution of all employees in the department. Each [quarter](#) the [eSANDI](#) is certified by the director, department head or executive officer attesting that the work was performed and that the distribution of salaries and wages charged to sponsored agreements and other categories is reasonable in relation to the work performed. This certification is done on an after-the-fact basis, using suitable means of verification. The [eSANDI](#) may be completed in paper form or electronically using the [eSANDI](#).

## Policy on Faculty Effort Reporting

Effective July 1, 1998

The [eDACCA](#) report is the after-the-fact confirmation of actual effort on specific research projects, including effort which is reimbursed by a sponsor and effort that is cost-shared by the Institute. The [eDACCA](#) requires the approval/signature of the principal investigator or account supervisor, either of whom has direct knowledge of the work performed on the research project. The [eDACCA](#) report is produced each [quarter](#).

For more information on the [eSANDI](#) and [eDACCA](#) reports please refer to the following sections in the Comptroller's Accounting Office Manual: "Understanding and Reconciling Monthly Statements and Detail Transactions Reports" and "Using [eSANDI](#)."

### **OTHER CONSIDERATIONS**

Effort reports should reflect only the activity for which the faculty member is compensated by the institution. Therefore, external consulting or other outside professional activities should not be considered when assessing the faculty member's total effort. [Uniform Guidance](#) states that professional services "provided outside the institution for non-institutional compensation" is not part of total effort for the purposes of the Institute's effort reporting policy (Note: outside professional activities are covered in the MIT Policies and Procedures manual, section 4.5).

The Institute's effort reporting process should not include incidental activities for which the faculty member receives no additional compensation. For example, a faculty member who edits technical journals for no fee should not include this activity when preparing the Institute effort report.

## Policy on Faculty Effort Reporting

Effective July 1, 1998

**UNIFORM GUIDANCE EFFORT REPORTING CATEGORIES**

**Uniform Guidance** describes four major categories of faculty effort. At MIT, the **eSANDI/eDACCA** process identifies effort related to Organized Research projects (direct charged effort and cost-shared effort) separately from all other effort. In accordance with federal regulations, MIT's labor distribution process combines faculty effort related to Instruction and Departmental Research, Other Sponsored Activities, and Administration in the **eSANDI** and **eDACCA** reports under the category Instruction and Department Research.

1. ***Instruction and Departmental Research*** (I&DR) including the teaching and training activities of the institution. I&DR is comprised of the following:

- ⇒ **Instruction**: Teaching and training (except for research training) activities whether they are offered for credits toward a degree or a non-credit basis.
- ⇒ **Sponsored Instruction and Training**: Specific instructional or training activity established by grant, contract, or cooperative agreement.
- ⇒ **Departmental Research**: Research, development and scholarly activities that are not organized research and, consequently, are *not separately budgeted and accounted for*. Examples of departmental research expenditures are:
  - Faculty discretionary funds
  - Faculty start-up funds <sup>1</sup>
  - Department/School royalty income funds

2. ***Organized Research*** including all research and development activities that *are separately budgeted and accounted for*. It includes:

- ⇒ **Sponsored research**: all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. Includes **research training** (i.e. activities involving the training of individuals in research techniques) and **cost sharing commitments** which the Institute has made under organized research agreements (see section on cost sharing).

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<sup>1</sup> Funds which are used to equip a laboratory or to commence basic research but are not awarded for a specific project and are not, therefore, separately budgeted and accounted for.



## Policy on Faculty Effort Reporting

Effective July 1, 1998

⇒ **University research:** all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research at MIT includes internal competitions for research funds (except start-up funds), and seed money<sup>2</sup>.

3. **Other Sponsored Activities** including programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than Instruction and Organized Research. Examples include community service programs, conferences and symposia, travel, public demonstrations, etc.

4. **Administrative activities**, including administrative and supporting services that benefit common or joint departmental activities but cannot be directly attributable to instruction or organized research. Administrative and support activities benefit instruction and research on an indirect basis in proportions that are difficult to determine. Examples of faculty administrative activities include:

- Proposal preparation
- Committee work
- Hiring and advising of personnel, including graduate students and other researchers
- Administrative appointment (i.e. Associate Dean, Laboratory Director, Department Head)

Differentiating between departmental research (research and development that is *not separately budgeted and accounted for*) and organized research (research and development that *is separately budgeted and accounted for*) is often difficult. To help distinguish departmental research from organized research one should first consider the characteristics of organized research activities. For example, there is a defined scope of work for the project. There is a proposal and award process which normally includes identified criteria, a technical review, funding and notification. There is typically a requirement for a line item budget which details project expenditures by cost category. The agreement frequently requires a project deliverable (for example periodic progress reports and a final technical report which summarizes the project results and draws conclusions). None of these events or requirements take place for departmental research activities; there is no defined scope of work, no award, budget, deliverables or separate accounting.

<sup>2</sup> Funds which the Institute gives to support specific research projects, the costs of which are separately budgeted and separately accounted for

## Policy on Faculty Effort Reporting

Effective July 1, 1998

The proposal budget should include the entire cost of the project: the amount being requested from the sponsor as well as the portion of the project cost that will be provided from other sources, including MIT. A commitment to use Institute resources to pay any portion of the project cost must be identified and tracked as cost sharing (see attached MIT Cost-Sharing Policy).

When no mandatory cost sharing is specified in a program announcement or application package and the agency does not insist on a specific contribution to the project during the negotiation of an award, MIT faculty should not offer cost-sharing unless the anticipated level of effort is **10% or more of an individual's total planned effort**.

When contributed effort is expected to be less than 10%, the proposal should include the statement that *"MIT fully supports the academic year salary of Professors, Associate Professors and Assistant Professors, but makes no specific commitment of time or salary to this particular research project."* This statement assures the funding agency that the faculty member will make a contribution to the project but that the expected level of effort is not a significant portion of the individual's overall effort. Under these circumstances, faculty should report their time spent on the project as Instruction and Departmental Research. In accordance with the Institute's Cost Accounting Standards Board disclosure statement, there will be a year-end accounting transfer of such charges from Instruction and Departmental Research to Organized Research.

When contributed effort is expected to be 10% or greater, or the funding agency insists on a specified level of cost-sharing, this effort must be explicitly stated in the proposal and after the award, actual effort on the project must be identified on the [eSANDI/eDACCA](#) reports and certified.

Proposals should accurately represent the amount of direct research effort that key personnel are committing to the project, *whether that effort is paid for by the sponsor or by MIT*. The estimate of effort should be reasonable and should encompass only the direct effort to be expended on the project. Administrative management of the project and administrative activities such as bid and proposal preparation should not be considered as direct project research. Direct instructional activities, such as student academic advising, tutoring or mentoring, should also not be considered as direct project research. However, time spent supervising that portion of an individual's work that is being direct-charged to an organized research project, as well as reviewing materials related to organized research projects (i.e. lab notebooks) or editing a technical report, shall be considered as direct project research effort.

Since not all proposals get funded, it is possible to include commitments of more than 100% of total effort taking into consideration existing workload requirements and all outstanding proposals. However, in preparing proposals, PIs must be careful not to over-commit themselves or others.

When a cost sharing commitment consists of direct effort on a sponsored agreement, federal regulations require that this effort be accounted for under the agreement in the same manner

## Policy on Faculty Effort Reporting

Effective July 1, 1998

as the direct effort that is reimbursed by the sponsor under the agreement.

### **ACCOUNTING FOR FACULTY EFFORT**

The actual effort distribution of faculty should reflect the percentage of actual time spent on the individual's various activities (see the preceding section on Effort Reporting Categories) **expressed as a percentage of total effort, not hours.** The total effort may not exceed 100% and should include only those activities for which the individual receives compensation from the Institute, including salaries charged to sponsored agreements. The amount of effort identified to organized research should include the portion of time the PI devotes to a project, even if he/she receives no salary support from the project.

Effort on any particular project is measured as the percentage of the total obligation to the Institute. This obligation includes teaching, organized research, departmental research, administration, committee activities, etc. While the total number of hours worked may vary from month to month, total effort for each period must be expressed as 100%.

The faculty member's **eSANDI** report must be modified when there is a significant change (i.e. 10% or greater in total workload) in the distribution of activities. A **eSANDI** must be processed to reflect this change in workload. The modified **eSANDI** will then be reflected in the faculty's **eDACCA** report.

Every **quarter** the effort distribution of each faculty member must be certified for reasonableness. This after-the-fact certification, which is accomplished through the **eDACCA** report, is an attestation that the distribution of salaries to activities is reasonable in relation to the work performed. The **eDACCA** requires the approval/signature of the principal investigator or account supervisor, using suitable means of verification that the work was performed.

### **Direct Charged Effort**

Faculty salary charged to sponsored research agreements or university research projects should be commensurate with the direct effort provided to the project. Faculty salary charges to such projects must not include administrative work or activities related solely to Instruction and Departmental Research.

Charges for work performed on sponsored research agreements or university research projects by faculty members will be based on the individual faculty member's regular compensation during the period of performance. Charges will be made at the allowable base rate; the faculty member cannot receive additional compensation for his or her participation in a sponsored project over and above the appropriate portion of the base salary allocated to the project. For example, if the base salary is \$100,000 and the faculty member devotes 25% of his effort to a sponsored project, the salary charged to the project must be \$25,000.

### **Cost Shared Effort**

Cost-sharing is that portion of a project or program cost that is not reimbursed by the

## Policy on Faculty Effort Reporting

Effective July 1, 1998

sponsor. Cost-sharing represents a commitment by the Institute. It may be required by the sponsor as a condition of the award (mandatory) or it may be offered by the Institute in excess of mandatory cost sharing requirements (voluntary). It is important to realize that whether cost-sharing is required by the sponsor or is offered by the Institute or PI voluntarily, once an award is made all cost sharing commitments are considered to be mandatory and as such represent a binding obligation of the Institute.

Cost-sharing may include effort of the PI or other personnel committed to the project at no cost to the sponsor. In order to qualify as cost sharing, the effort must be necessary and reasonable for the performance of the project objectives. Cost-shared effort must be directly related to the project's objectives and must not include time spent on administrative or instructional activities.

Cost-sharing should be limited only to those situations where an agency insists upon cost-sharing or the Institute has determined that such a contribution is necessary to ensure the success of a competitive award. When an agency has not insisted upon cost-sharing or a cost-sharing commitment is not necessary to ensure the competitiveness of a proposal, PIs and departments should refrain from making such commitments in the proposal, unless it is anticipated that the level of effort on the project will be 10% or more of an individual's total workload. If there is no explicit statement of effort in the proposal and the sponsor does not insist on a specific contribution of effort at the time of the award, the PI is not required to adjust the **eSANDI** report unless the actual effort on the project exceeds the 10% threshold.

Any questions regarding this policy should be referred to Patrick Fitzgerald, Director Office of Cost Analysis (by phone at extension 3-2762, or by e-mail to [pwf@MIT.EDU](mailto:pwf@MIT.EDU).) or Julie Norris, Director, Office of Sponsored Programs (by phone at extension 3-2492 or by e-mail to [jnorris@MIT.EDU](mailto:jnorris@MIT.EDU)).

*February 11, 1998*

Policy on Faculty Effort Reporting  
Effective July 1, 1998

Policy on Faculty Effort Reporting  
Effective July 1, 1998

## MASSACHUSETTS INSTITUTE OF TECHNOLOGY

**Policy for Cost Sharing and Matching Funds on Sponsored Projects**

Effective July 1, 1998

**INTRODUCTION**

This policy rescinds and supersedes the MIT “Guidelines for Cost Sharing and Matching Funds on Sponsored Projects” dated June 25, 1997.

**PURPOSE AND SCOPE**

The Institute must ensure that cost sharing requirements of sponsored agreements are proposed, accounted for, and reported in a manner consistent with the requirements set forth in federal regulations, primarily [Uniform Guidance](#). This document clarifies and strengthens the MIT requirements and modifies some of the cost sharing procedures. Specifically, the following details the procedures for monitoring project-by-project cost sharing and reporting such cost sharing to sponsoring agencies and is effective for proposals submitted and awards negotiated on or after July 1, 1998.

The policy is intended to:

- ◆ Help units determine when cost sharing is required and/or permitted by the Institute; including types of expenditures and in-kind contributions that qualify as cost sharing under federal regulations;
- ◆ Provide information regarding the contractual, financial, and administrative requirements that result from cost sharing commitments;
- ◆ Establish procedures for recording cost sharing in the Institute’s accounting system and for the reporting of cost sharing expenditures to ensure that the Institute has fulfilled any cost sharing commitments it has made as a condition of an award;
- ◆ Limit cost sharing commitments to only those instances where cost sharing is required by the sponsor or is necessary to make MIT’s proposal competitive.

**DEFINITION OF COST SHARING**

Cost sharing is that portion of a project or program cost that is not reimbursed by the sponsor. Cost sharing represents a commitment by the Institute. It may be required by the sponsor as a condition of the award (mandatory) or it may be offered by the Institute in excess of mandatory cost sharing requirements (voluntary). **It is important to realize that whether cost sharing is required by the sponsor or is offered by the Institute or PI voluntarily, once an award is made all cost sharing commitments are considered to be mandatory and as such represent binding obligations of the Institute.**

## MASSACHUSETTS INSTITUTE OF TECHNOLOGY

**Policy for Cost Sharing and Matching Funds on Sponsored Projects**  
Effective July 1, 1998**EXAMPLES OF COST SHARING**

- ◆ Effort of Principal Investigator and/or employees devoted to sponsored agreements, including employee benefit costs
- ◆ Equipment (total value or depreciation depending on the circumstance)
- ◆ Supplies and services directly associated with the project
- ◆ Volunteer services
- ◆ Subrecipient cost-sharing
- ◆ Unrecovered indirect cost, if approved by the sponsor

**REGULATORY REQUIREMENTS FOR COST SHARING**

To qualify as cost sharing on a federally sponsored award, the cost must satisfy all of the following criteria:

- ◆ Be allowable and allocable under federal regulations (Uniform Guidance) or the terms of the sponsored agreement
- ◆ Be verifiable from the Institute's records
- ◆ Not be used as cost sharing for any other federal award without prior written approval
- ◆ Be necessary and reasonable for the performance of the project objectives
- ◆ Incurred during the effective date of the award

**COST SHARING COMMITMENTS ON RESEARCH PROPOSALS OR AWARDS**

Cost sharing should be limited only to those situations where it is mandated by a sponsor or the Institute has determined that such a contribution is necessary to ensure the success of a competitive award or proposal. Where cost sharing is not required by the sponsor or necessary to ensure the competitiveness of a proposal, PIs and departments should refrain from making such commitments voluntarily. In all situations, the use of cost sharing should be kept to a reasonable level because of the burden that cost sharing places on Institute or departmental resources.

Cost-sharing may include effort of the PI or other personnel committed to the project at no cost to the sponsor. In order to qualify as cost sharing, the effort must be necessary and reasonable for the performance of the project objectives. Cost-shared effort must be directly related to the project's objectives and must not include time spent on administrative or instructional activities (unless directly related to the project's objectives).



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**Policy for Cost Sharing and Matching Funds on Sponsored Projects**

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A program announcement or application may include a requirement to cost share or the sponsor may insist during the negotiation of an agreement on a specific contribution to the project as a condition of the award. There may also be situations as described above where the Institute has determined that a cost sharing contribution is necessary to ensure the success of a competitive award or proposal. In instances where a contribution is required, the direct cost dollars of such a commitment should be moved from a non-sponsored account under the control of the PI or DLC to a sponsored child account. The F&A costs applicable to the direct cost will be provided by the Institute.

PIs and departments should commit specific cost sharing contributions (i.e. a percentage of effort, dollars of salary, or number of person-months) to sponsored projects only under the following circumstances:

- ◆ Mandatory cost sharing is specified in a program announcement or application package
- ◆ The project sponsor insists on a specific cost sharing contribution to the project during the negotiation of an award
- ◆ An individual expects to contribute 10% or more of his/her total effort to a sponsored project (whether or not the sponsor requires a cost sharing contribution as a condition of award)
- ◆ An individual expects to contribute less than 10% of his/her total effort to a sponsored project which does not require cost sharing as a condition of award, but the Institute has mandated a specific contribution to the project in order to enhance the competitive success of the project proposal

All explicit commitments of effort referenced in a proposal or award must be treated as mandatory cost sharing, accounted for as a cost of the project, and separately identified, reported and certified in the labor distribution system (i.e. the eSANDI/eDACCA reports). For more information on accounting for cost sharing effort, please refer to the MIT "Policy on Faculty Effort Reporting."

If a principal investigator offers cost sharing on a project when there is no requirement for such cost-sharing imposed by the sponsor, the PI or the DLC will be responsible for funding both the direct costs and the F&A costs associated with such a commitment. It is not possible to cost share direct costs without also cost sharing associated F&A costs.

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In those instances where cost sharing is not required as a condition of award or mandated by the Institute, and less than 10% of an individual's total effort is expected to be contributed to the project, the statement "*MIT fully supports the academic year salaries of Professors, Associate Professors, and Assistant Professors, but makes no specific commitment of time or salary to this particular research project*" should be inserted somewhere in the text of the proposal or on the budget justification. This statement assures the funding agency that the faculty member will make a contribution to the project but that the expected level of effort is not a significant portion of the individual's overall effort.

**COST SHARING EFFORT CHARGED TO GENERAL FUNDS OR ENDOWED CHAIRS**

When a cost sharing commitment consists of direct effort on a sponsored agreement, federal regulations require that this effort be accounted for in the same manner as the effort charged to sponsored agreements. For new proposals submitted and awards negotiated on or after July 1, 1998 which include cost sharing effort, the department or laboratory and OSP will calculate the amount of cost sharing for the entire period of the award. This amount will be calculated on the basis of salaries and wages at current rates (or at prospective rates, if known) plus employee benefits.

A distinction should be made between cost sharing for research awards versus cost sharing for educational service agreements. Initially, departments should identify to OSP awards that they believe are non-research. If OSP concurs that the purpose of the award is for educational services (fund accounts), and not research, the cost sharing expenses can remain in general fund or endowed chair accounts (which may require the establishment of new or child accounts).

**COST SHARING EFFORT CHARGED TO RESEARCH ACCOUNTS**

OSP will create a Notice of Award and will establish cost sharing accounts as child(ren) of the prime award account. The authorized total of the prime account will be increased to include both the sponsor's and the Institute's contribution to the funding. All cost sharing funded either by the DLC or the Institute will be recorded in the child account. The Controller's Accounting Office (CAO) will, after receiving information from OSP, create the journal vouchers necessary to fund the cost sharing and will monitor the cost sharing accounts. Cost sharing expenses will be charged against the cost sharing account (including faculty effort where that constitutes the cost sharing).

Funding for cost-shared faculty effort should be in the child account and faculty effort should be charged against the child account (using the eSANDI/eSANDI) for the appropriate effort percentages. During the period of performance, cost-shared effort that was specified in a proposal or award, or contributed effort of 10% or greater should be

## MASSACHUSETTS INSTITUTE OF TECHNOLOGY

**Policy for Cost Sharing and Matching Funds on Sponsored Projects**

Effective July 1, 1998

charged to the appropriate child account(s). The amount initially calculated as cost sharing and added to the project authorization will not be changed during the life of the project unless there is a significant change in the amount of the cost sharing effort. Contributed effort less than 10% which was not specifically identified in a proposal or award should continue to be classified as Instruction and Departmental Research and should not be charged to the child account.<sup>1</sup>

Cost sharing will normally be drafted at the beginning of the grant and at the beginning of each Institute fiscal year for future years, although other arrangements can be made for high dollar projects on a case by case basis. A transfer will be made from the departmental general or fund account for the cost sharing salary and associated employee benefits (identified as "Cost in research volume") with a corresponding credit to the sponsored project account (identified as "Cost sharing"). If the cost sharing was not required by the agency but offered voluntarily by the PI, the departmental general or fund account will also fund the applicable F&A cost. If the cost sharing commitment was the result of an agency requirement, an Institute account will be charged for the F&A cost. There may be cases in which the Institute will not compete for a program because funding is not available from central sources for the mandatory cost sharing.

**DOCUMENTATION**

When cost sharing or matching is accepted by the sponsor, it becomes a commitment of the Institute. Throughout the project's life, the principal investigator and the unit must maintain sufficient documentation to substantiate the actual cost sharing contribution and report the cost sharing to the funding agency, if required. The specific type of documentation required is based on the nature of the award, taking into consideration the type of cost sharing, the terms of the sponsored agreement, and other circumstances of the award. Documentation within the Institute's financial accounting system should be provided whenever possible.

For further information, contact your Contract Administrator in the Office of Sponsored Programs.

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<sup>1</sup> In accordance with the Institute's Cost Accounting Standards Board disclosure statement, there will be a year-end accounting transfer of such charges from Instruction and Departmental Research to Organized Research.

## **GUIDELINES FOR ACCOUNTING RELATED TO COSTS OF COMPUTER SOFTWARE DEVELOPMENT**

### **Accounting for Costs of Computer Software Developed Or Obtained for Internal Use**

#### **A. Background:**

Required by Accounting Rules (SOP 98-1) beginning in fiscal 2000, new accounting regulations require that certain costs associated with computer software obtained or developed for internal use be expensed while others be capitalized. Internal use software is any software acquired, internally developed, or modified to meet the Institutes internal needs, with no intention of marketing the software externally.

Effective July 1, 2013 (FY14), MIT will track and capitalize the appropriate costs of software development projects which, at inception, are expected to;

- 1) exceed \$1,000,000 in total project cost, and
- 2) exceed \$250,000 in capitalizable costs

#### **B. Identification of a Software Project**

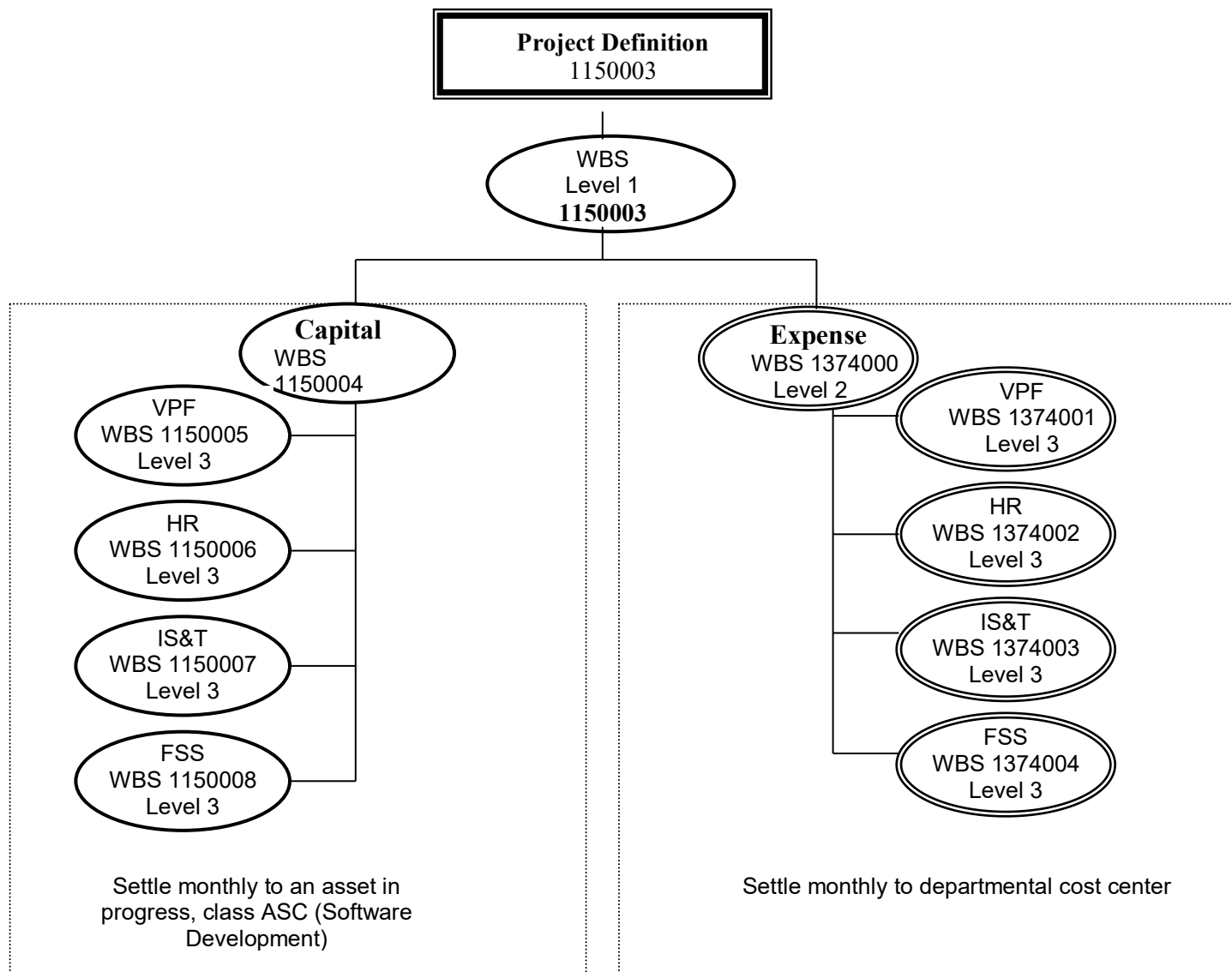
The Head of Information Services and Technology (IS&T) will be responsible for communicating to the Office of the Vice President for Finance (VPF) new projects whose total cost and capitalizable cost are expected to meet or exceed the threshold above. All departments that are planning to embark on a software development project should ensure that IS&T is notified about the details so a determination can be made if the capitalized software rules will apply. Communication from IS&T will be done as qualified software projects are identified via e-mail to VPF and the departments participating in development and include such specifics as the project's scope, sponsors and manager (if known).

Once the project has been identified, VPF and IS&T will work together to orient the sponsors, project manager, and department administrators on the software capitalization rules and guidelines included in this document for implementation, tracking and monitoring, and reporting.

The project manager is responsible for identifying the contributing departments and sub-departments (teams), the funding sources and developing the project structure (with assistance from IS&T/VPF). Once all the information is obtained (see section C3) the project WBS structure can be established in SAP

**C. Establishment of Cost Objects**

MIT will utilize the SAP Project work breakdown structure (WBS) to record costs related to software development. A WBS hierarchy will be established for each software development project for the duration of the project. The project hierarchy will be used to distinguish “capital” WBS elements from “expense” WBS elements.

**Software Development Project Hierarchy - Example**

### 1. WBS Elements for Capitalized Costs

WBS Elements to be used for capitalized costs will be assigned a number in the same range as Internal Orders that are used for capitalization purposes (beginning with 11 or 12). Capital WBS Elements have the following characteristics:

- Used to accumulate costs that meet the capitalization criteria.
- Linked to an asset in process (ASC), which will be the settlement receiver.
- Will settle monthly, which is consistent with the asset process for buildings and other settlements related to the monthly close. i.e. facilities internal orders.
- When the project is complete, the ASC will be settled (one time) to a fixed asset.

*Note:* This process is identical to the process of capitalization of construction projects and space changes into buildings, which is currently in use at MIT as of April 2000.

### 2. WBS Elements for Costs to be Expensed

WBS expense structure to be used for costs which will be expensed, (not subject to capitalization). The expense structure may have 1 or many children WBS Elements. The number issued will be in the same range as current numbers for Cost Centers. (i.e. 1374000). Expense WBS Element(s) will have the following characteristics:

- Will be used to accumulate costs that should be expensed. (do not meet criteria for capitalization)
- Will be assigned a Cost Center as the settlement receiver
- Expense WBS Element will settle monthly as usual

### 3. Required Information for Establishment of Project Structure

In order for the Controller to properly set up a project hierarchy, the following information is needed:

- Exact title of the project
- The departments who will participate in the project (additional departments can be added as needed)
- What cost center will be charged for the expense portion of the project. It may be necessary to establish a new cost center, or a department may want to have the costs go to more than one. In the later case this will mean that more than one set of WBS elements are required for the department.
- Master data elements for each WBS element: supervisor, addressee, profit center, fund center, begin date and title.

Once all of this information is communicated to VPF, WBS numbers will be assigned and set up in SAP. Supervisors and addressees will be notified when the WBS elements are established.

## D. Tracking and Reporting Costs

**a) Responsibility for Reporting and Tracking Project Costs.**

The appropriate administrative person from each participating department will be responsible for recording costs on the correct WBS element. This individual will verify expenses monthly and make necessary corrections. The project manager will be responsible for ensuring that all participating departments are properly recording and classifying costs on a timely basis.

**b) Criteria for Identifying Capital vs. Expense Costs****Costs to Capitalize**

- Software acquisition costs
- Costs directly related to software development, including:
  - Material costs
  - Developer salary & benefit costs
  - Consultant costs (including time & related expenses)
  - Project Team testing
  - Project Team travel if **directly** related to software development
  - Purchases of data conversion software
  - Documentation & training costs incurred during the Application Development Stage of a project
  - Manager salary & benefit costs for project oversight if **directly** related to software development.

**Costs not to be Capitalized:**

- Discovery Costs -- those costs incurred before the project scope is broadly defined and before MIT management approval
- Data Conversion costs (other than costs to develop or obtain software that allows for access or conversion of old data)
- Testing costs ( where testing is not performed by the Project Team)
- **Post-implementation documentation & training costs**
- Staff training including developers.
- Costs incurred after implementation has begun (defined as the point at which the software is in use, in a production environment, by the users for whom the software was designed). For example, maintenance agreements may not be capitalizable.

**c) Guideline for Tracking and Reporting Costs**

- The tracking of salaries will be based on percentage of time dedicated to the project. (i.e. if an individual works 80 hours at MIT for the week, and he/she allocates 50% to a capital project, the 50% will be based on the 80 hours worked, not on a regular 40 hour work week).
- The threshold for tracking salary costs is 10 % of FTE (do not track time if under 10% over a three month period).
- Equipment costs related to capital projects must also be tracked. Materials costs relating to capital projects, including equipment must also be tracked. If an equipment item (whether minor or major) is purchased, and will be

used 50% or more on the project for development, the allocable portion of its cost should be charged to the capital WBS element for the project. This is true only in instances where the equipment costs are below \$3,000, the level at which all costs are capitalized by the Institute.

**d) Method/Tools for tracking costs.**

Each participating department is responsible for developing a method for tracking costs and provide the tools necessary to do so.

**e) Frequency of reporting**

All costs should be reported to the department administrator on a monthly basis.

**E. Monitoring and Reporting Project Costs**

Detailed reporting and monitoring on a project level will happen in two ways. First, at the department level, the administrator will be responsible for ensuring that their costs are reported properly on the appropriate WBS elements. Second, the Project manager will be responsible for monitoring and reporting costs for the entire project. On a periodic basis this would involve reporting to the sponsors of the project the current budget vs. actual status.

On a quarterly basis a report will be provided by VPF to the Budget and Finance Steering Committee (BFSG) on all current software projects in process. This should include an analysis of expenses to date against budget and some projection information on estimated completion date and cost.

On an annual basis VPF will review with all of the project managers the status of every project. A determination will be made on whether the project will still meet the criteria for capitalization. If it is determined that it will things will remain, if it is determined that it won't reach the \$250,000 threshold, then the capital portion will have to be expensed. Future costs would continue to be charged to the expense WBS elements in the project structure, but the tracking of capital vs expense costs can be discontinued.

**F. Budget & Funding**

The "Capital" portion of the project structure described above will be a part of the fixed asset portion of its balance sheet, and not part of any department's operating expenses. However, these costs were generally budgeted, as part of the operating budget of the department, during the fiscal year. Although capital assets are depreciated over time, the costs incurred this year for this project do represent a cash outlay for the Institute now, and must be funded.

To provide for the funding of these costs, and to match budgeted resources with actual expenditures, a department contributing resources to a capital project should



transfer (actual, not budget) the corresponding amount funding to the Institute's "Educational Plant" Fund Cost Object, 2732220, *at least quarterly*

For example, if staff, consultants, and materials costs of \$100,000 were part of the normal budget in the first quarter of fiscal 2001, but were incurred and capitalized during the quarter, at the beginning of the next quarter the department should make this "funding entry":

Debit Cost Center 1XXXXXX GL account 800326 (transfer out) \$100,000  
Credit Educational Plant IO #2732220 GL account 800325 (transfer in) \$100,000

**Explanation:** to transfer funding for capital expenses incurred in Q1 2001 for HR Payroll Project

(If capital costs incurred are expected to exceed budgeted funds available, the department should be in touch with its budget officer as soon as possible.)

Since actuals, not budgets, are moved, the department's budget is not affected.

The department will be incurring the cost on the "transfer out" GL account, not on salaries or M&S, where the funds may have originally been budgeted. If the department chooses to re-budget between these categories, they may do so.

## **G. Completion of a Project**

Once a project has been completed, the project manager should notify VPF and all participating departments, after ensuring that all project-related costs have been recorded. VPF will then transfer all capital costs into a completed asset number that will be created in the asset system. At this point a depreciation time frame will be established and the asset will begin depreciating the following month. Since very often there are charges that come in after the completion of a project that are not known, the project WBS elements will remain open for a period of two months. The settlement receiver for the capital WBS elements will be changed to the new completed asset number as the in process account will be terminated. Once it is determined that no additional charges will occur, all WBS elements in the project structure will be closed.

## **General Policy for Laboratory Allocations**

### **A. General Policy**

1. Expenses of the laboratory central administrative group are distributed to all accounts within the laboratory using allocation accounts. Fabricated equipment, service facility, laboratory director general, suspense and the laboratory telephone equipment/network accounts are excluded from the allocation process. The allocated expenses include salaries and wages (exclusive of employee benefits and vacation accrual) of the employees administering the laboratory, such as Administrative Officers, Fiscal Officers, Facilities Officers etc., and materials and services that are required to support the central administration of the laboratory. There are three types of allocation rates: one to allocate salaries and wages, one to allocate materials and services and one to allocate utilities (Haystack Observatory only). The G/L accounts (object codes) used are Alloc S&W (for salaries and wages), Alloc M&S (for materials and services) and Alloc Utilities (for utilities). These rates do not incur any F&A charges.
2. Along with expenses of the laboratories central administrative group, that are distributed to all accounts within the laboratories using allocation account rates, facilities costs are included in the Haystack allocation rates. Haystack is a unique research facility at MIT and, due to its remote off campus location, presents unique operational and financial management challenges. It operates as a stand-alone facility, responsible for providing the day-to-day operations including facilities operations and maintenance necessary to facilitate its research. MIT's practice is, and has always been, to isolate Haystack support costs such that Haystack programs absorb them. Therefore, in addition to administrative costs Haystack rates include salaries of "Facilities" personnel in the Allocated Salary and Wage rate, "Facilities" materials and payments to outside vendors for "Facilities" costs in the Allocated Materials and Services rate, and utilities costs in the Utilities Allocation rate.

Rev#19 – Administrative/Unilateral – Effective July 1, 2016 (FY17)

3. Only research cost collectors (accounts) for research conducted in the laboratory, as well as all other cost collectors (accounts) assigned to the laboratory as stated above, receive allocation of administrative expense. If any cost collectors (accounts) are to be excluded from the allocation, beyond those stated above, an explanation, in writing, must be submitted to the Office of Cost Analysis for review and approval.
4. Travel (except within the administrative group), equipment, meetings/lunches and any unallowable costs may not be charged to the allocation account. Other operating costs, wherever applicable, should be direct charged.
5. If an individual's salary is to be charged to the allocation account, then such salary must be charged at 100%. Salaries may not be partially charged to the allocation account and partially to another cost collector unless the person performs more than one function; for example, partially a direct research or scientific function and partially an administrative

or support function.

6. Each month the SAP system will perform the allocation at the point in the process prior to the application of employee benefits and F&A recovery. Each primary volume cost collector (account) will receive a salary and/or materials and services charge based upon the adjusted Modified Total Direct Costs charged to the cost collector (account) multiplied by the rates then in effect. This allocation base is effectively Modified Total Direct Costs less employee benefits and vacation accrual.
7. Each year laboratories will submit rate information for review by the Defense Contract Audit Agency and the Office of Naval Research. After the rates are approved by the Office of Naval Research, rate changes (if necessary) will be made at the beginning of each fiscal year. In extraordinary circumstances rates may be revised midway through the fiscal year, effective September 1. Variance (surplus or deficit) should be managed to keep the balance as close to zero as possible. A laboratory may allocate out less than the full cost of its central administrative group by subsidizing allocation account expenses with discretionary funds. Any remaining variances in allocation account balances will be built into allocation rates to eliminate them over a period not to exceed three years.

**B. Allocation Method**

1. Develop estimated adjusted MTDC base. The base is determined as follows:

Total cost of laboratory primary volume

Less: Employee benefits

Vacation accrual

F&A recovery

G/L accounts (object codes) not subject to F&A (designated "Not MTDC" in title of G/L account)

2. Determine annual charges to the allocation account in the following categories:

(a) Allocated Salaries & wages

(b) Allocated expense

3. Determine allocation rates as follows:

(a) Allocated Salaries & wages

Salaries and wages [B.2.(a) above]

/ Adjusted modified total direct cost base (B.1)

= Salaries and wages allocation rate

(b) Allocated Materials and Services Expense

Operating expenses [B.2.(b)]

/ Adjusted modified total direct cost base (B.1.)

= Allocated expenses allocation rate

4. Each month the SAP system will perform the allocation as follows:

- (a) As explained in B.1. above, arrive at the adjusted MTDC base for each primary volume cost collector (account) assigned to the laboratory.
- (b) Multiply the adjusted MTDC base for each cost collector (account) by the applicable allocation rates. The results will be charged to cost collectors (accounts) as follows:

(1) Allocated Salaries & Wages

On Campus – G/L Account 600100

Off Campus – G/L Account 600101

(2) Allocated Materials and Services Expense

Allocated M&S On Campus – G/L Account 600104

Allocated M&S Off Campus – G/L Account 600105

Note: On campus G/L Accounts (object codes) used unless laboratory is designated as off campus.

EXAMPLE  
Laboratory X  
Fiscal Year Volume

<u>G/L Acct</u>	<u>Total \$</u>	<u>Exclusions</u>	<u>Adj. MTDC Base</u>
400025 Faculty Sal-Ten	\$90,000		\$90,000
400450 Hourly Pers-On	5,000		5,000
400452 Hourly Pers-Off	1,000		1,000
400602 Support Staff-On	18,000		18,000
400754 MIT Students-On	8,000		8,000
420050 Travel	5,000		5,000
420226 Materials & Services	40,000		40,000
420258 Office Supplies	5,000		5,000
420620 Subrec Agree-Not MTDC	5,000	(5,000)	0
420710 Consultants	3,000		3,000
421818 Equip-Not MTDC	10,000	(10,000)	0
421833 Equip Rental-Not MTDC	<u>1,000</u>	<u>(1,000)</u>	<u>0</u>
	\$191,000	(\$16,000)	\$175,000

Charges to Allocation Account (example only, not all inclusive)

Administrative Staff	\$25,000
Support Personnel	30,000
Supplies	8,000
Telephone	2,000
Xerox	<u>3,000</u>
	\$68,000

Allocation Rates1. Allocated Salaries & Wages

Administrative Staff	\$25,000
Support Personnel	<u>30,000</u>
Total Salaries & Wages	\$55,000

/ Adjusted MTDC Base	<u>175,000</u>
Salaries and Wages Allocation Rate	31.43%

2. Allocated Materials and Services Expense

Supplies	\$8,000
Telephone	2,000
Xerox	<u>3,000</u>
Total M&S	\$13,000

/ Adjusted MTDC Base	<u>175,000</u>
M&S Allocation Rate	7.43%

EXAMPLE  
Laboratory X  
Project Cost

G/L <u>Acct</u>	Total <u>\$</u>	<u>Exclusions</u>	Adj. MTDC <u>Base</u>
400025 Faculty Sal-Ten	\$1,000		\$1,000
400450 Hourly Pers-On	300		300
400602 Support Staff-On	500		500
420050 Travel	100		100
420226 Materials & Services	500		500
421818 Equip-Not MTDC	700	(700)	0
421833 Equip Rental-Not MTDC	<u>200</u>	<u>(200)</u>	<u>0</u>
	\$3,300	(\$900)	\$2,400

One Month's Allocation

1. Adjusted MTDC Base	\$2,400
x S&W Allocation Rate	<u>31.43%</u>
Amount to G/L Account 600100 (1)	\$754.32
2. Adjusted MTDC Base	\$2,400
x M&S Allocation Rate	<u>7.43%</u>
Amount to G/L Account 600104 (1)	\$178.32

(1) These amounts are credited to the same G/L Accounts (object codes) in the allocation account.

**Massachusetts Institute of Technology**  
**Summary of Allocation Account Review Process**

**Requirement**

Beginning with fiscal year 2002, MIT interdepartmental laboratories and centers are required to submit to the Office of Cost Analysis a schedule of proposed allocation rate(s) to be in effect as of July 1 of the following fiscal year. This schedule will include summary data supporting the calculation of each of the Lab or Center's allocation rate(s) for the coming year. The analysis will include the accumulated allocation surplus or deficit, anticipated allocation expenses for each rate for the coming year and a forecast of the Lab or Center's modified total direct costs (MTDC).

The allocation rate analysis must be submitted to Cost Analysis by March 1<sup>st</sup> each year and on an annual basis thereafter. Although there will be one formal call for rates each year, in extraordinary circumstances allocation units may voluntarily propose a change to an allocation rate(s) on September 1<sup>st</sup>. When unforeseen circumstances arise which will have a significant impact on an allocation rate(s), a unit may petition Cost Analysis for an interim rate change. For example, if a laboratory receives a large new program which significantly increases the MTDC base, it may seek approval for an immediate decrease in the allocation rate(s) rather than accumulate a surplus which will cause a more significant adjustment to be made later on. A request for an interim change may be made by September 1<sup>st</sup> only. If the rate is approved it will become effective prospectively.

Once the March 1<sup>st</sup> allocation rate analyses are evaluated by Cost Analysis they will be submitted to the Office of Naval Research (ONR) with a copy to the MIT sub-office of the Defense Contract Audit Agency (DCAA). DCAA will review the rate information and will make a recommendation to ONR regarding approval of the rates. Upon completion of the government reviews a list of allocation Labs and Centers and their approved rate(s) will be published by the ONR Boston Administrative Contracting Office (ACO) for MIT. These rates will remain in effect for the entire fiscal year or until a unit requests and receives approval from ONR an interim change.

The list of approved rates may be sent to federal agencies and other MIT sponsors in response to requests for information on allocation rates. This may satisfy agency concerns about the allocation charges and help to minimize future questions.

**Data to be Submitted**

Each Laboratory and Center will be responsible for estimating its expenses and research volume (i.e. MTDC) for the coming fiscal year. Because each Laboratory and Center has specific needs and unique circumstances, there is no prescribed "best practice" for estimating expenditures for the coming year. Each unit will be responsible for

determining its own estimation methodology taking into consideration recent trends in actual costs, historical experience, and anticipated changes in research volume.

The attached form "Request for Allocation Rates" must be submitted to Cost Analysis by March 1<sup>st</sup> for the next fiscal year rate(s). Along with the Laboratory or Center profit center number and allocation account number the following data is required:

#### Salaries and Wages

This is the estimated total for salaries and wages of allocation personnel for the next fiscal year. It does not include employee benefits costs or vacation accrual.

#### Prior period under (over) Allocation (Salaries and Wages)

This represents the amount of accumulated surplus or deficit in allocation salaries that will be used as an adjustment to the proposed allocation rate. If the amount of the adjustment is less than the total accumulated over or under recovery for allocation salaries, the Lab or Center must detail its plan to liquidate the remaining portion of the surplus or deficit balance in subsequent years rates. Variances (surplus or deficit) in allocation accounts should be managed to keep the balance as close to zero as possible. Any variances in allocation account balances will be built into allocation rates to eliminate them over a period not to exceed three years.

#### Total Salaries and Wages

This represents the total of the estimated salaries and wage expense for the next fiscal year and the amount of prior period over or under recovery of allocation salaries that will be used in the calculation of the rate for allocated salaries and wages.

#### Materials and Services

This is the estimated total for non-salaries and wage expenses to be included in the allocation account for the next fiscal year.

#### Prior period under (over) Allocation (Non-salary Operating Expenses)

This represents the amount of accumulated surplus or deficit in allocation operating expenses that will be used as an adjustment to the proposed allocation rate. If the amount of the adjustment is less than the total accumulated over or under recovery for allocation operating expenses, the Lab or Center must detail its plan to liquidate the remaining portion of the surplus or deficit balance in subsequent years rates. Variances (surplus or deficit) in allocation accounts should be managed to keep the balance as close to zero as possible. Any variances in allocation account balances will be built into allocation rates to eliminate them over a period not to exceed three years.



### Total Materials and Services

This represents the total of the estimated allocation non-salary operating expenses for the next fiscal year and the amount of prior period over or under recover of allocation operating expenses that will be used in the calculation of the proposed non-salary allocation rate(s).

### Total Allocation Expense

This represents total salaries and wages and total operating expenses, including the prior period over or under recovery that will be a component of the proposed allocation rate(s) calculation.

### MTDC Base

This represents the estimate for modified total direct cost (MTDC) for the next fiscal year. It includes total laboratory volume less employee benefits, vacation accrual, F&A recovery and G/L accounts not subject to F&A.

### Allocation Rates

The rate for allocated salaries and wages is computed by dividing total salaries and wages (including the adjustment for accumulated over or under recovery) by total MTDC.

The rate for allocated operating expenses is computed by dividing total operating expenses (including the adjustment for accumulated over or under recovery) by total MTDC.

Laboratories and Centers may have one, two or more allocation rates. The above data should be provided for the rates applicable to each unit.

### **Contact**

All questions regarding allocation accounts or this procedure should be referred to Joe Foley, Office of Cost Analysis, via email at [joefoley@mit.edu](mailto:joefoley@mit.edu).

MASSACHUSETTS INSTITUTE OF TECHNOLOGY



**Interdepartmental Laboratories with Allocation Accounts**

Computer Science & Artificial Intelligence Laboratory (CSAIL)

Kavli Institute for Astrophysics and Space Research (KAVLI)

Sociotechnical Systems Research Center (SSRC)

Center for Transportation and Logistics (CTL)

Haystack Observatory (HAYSTACK)

MIT Energy Initiative (MITEI)

Laboratory for Information and Decision Systems (LIDS)

Laboratory for Nuclear Science (LNS)

Materials Research Laboratory (MRL)

Rev#21 – Administrative/Unilateral – Effective April 15, 2018 (FY18)

Plasma Science and Fusion Center (PSFC)

Research Laboratory of Electronics (RLE)

Revised: February 28, 2018

### **MIT Tuition Remission Subsidy Policy for Graduate Student Research Assistants (RA)**

Current MIT policy is to charge 50% of total RA tuition to sponsored research accounts during the academic year terms and 0% to sponsored research accounts during the summer term. Institute accounts are charged for RA tuition at a rate of 50% during academic year terms and 100% during the summer term. Although 100% of the cost of tuition is an allowable cost for reimbursement purposes, MIT has elected to subsidize RA tuition in the manner described above.

While it is MIT's policy to charge 50% of RA tuition to sponsored research agreements during the academic terms, in exceptional circumstances less than 50% of the academic year tuition may be direct charged to sponsored research accounts. For example, current NIH guidelines limit the amount of funding for graduate student compensation (i.e., salary and tuition remission) to \$26,000 per RA per year. While NIH allows institutions to charge more than \$26,000 by re-budgeting funds from other direct cost categories, MIT typically does not charge more than \$26,000. As a result of this NIH policy, MIT may charge less than 50% of academic year tuition to some grants. However, in no circumstances does the Institute charge more than 50% of academic year tuition to sponsored research accounts.

#### **Tuition Subsidy History**

<b><u>Fiscal Year</u></b>	<b><u>Academic Year Tuition Subsidy</u></b>	<b><u>Summer Tuition Subsidy</u></b>
2000	65%	100%
2001	65%	100%
2002	65%	100%
2003	65%	100%
2004	65%	100%
2005	45%	100%
2006	45%	100%
2007	45%	100%
2008	45%	100%
2009	50%	100%
2010	50%	100%
2011	50%	100%
2012	50%	100%
2013	50%	100%
2014	50%	100%
2015	50%	100%
2016	50%	100%
2017	50%	100%
2018	50%	100%
2019	50%	100%
2020	50%	100%
2021	50%	100%