

BROWN UNIVERSITY

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

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

ATTACHMENT - Blank Continuation Sheet

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

Revision No. 4, Effect Date: July 1, 2017

COVER SHEET AND CERTIFICATION

0.1 Educational Institution

- (a) Name **Brown University**
(b) Street Address **350 Eddy Street**
(c) City, State and ZIP Code **Providence, RI 02912**
(d) Division or Campus of (if applicable) **N/A**

0.2 Reporting Unit Is: (Mark one.)

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

0.3 Official to Contact Concerning this Statement:

- (a) Name and Title **Charlene Sweeney, Associate Vice President and University Controller**
(b) Phone Number (include area code and extension) **(401) 863-5220**

0.4 Statement Type and Effective Date:

- A. (Mark type of submission. If a revision, enter number)

- (a) Original Statement
(b) Amended Statement; Revision No. **4**

- B. Effective Date of this Statement: Specify **July 1, 2017**

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

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

CERTIFICATION

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

Date of Certification: October 3, 2019


Barbara Chernow
(Signature)

Barbara Chernow
(Print or Type Name)

Executive Vice President for Finance & Administration
(Title)

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

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Item No.

Item Description

Part I

1.1.0 Description of Your Cost Accounting System for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperate agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

- A. Accrual
- B. Modified Accrual Basis 1/
- C. Cash Basis
- Y. Other 1/

1.2.0 Integration of Cost Accounting with Financial Accounting. 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.)

- A. Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.)
- B. Not Integrated with financial accounting records (cost data are accumulated on memorandum records.)
- C. Combination of A and B

1.3.0 Unallowable tests. Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one)

- A. Specifically identified and recorded separately in the formal financial accounting records. 1/
- B. Identified in separately maintained accounting records or work papers. 1/
- C. Identifiable through use of less formal accounting techniques that permit audit verification. 1/
- D. Combination of A, B or C. 1/
- E. Determinable by other means. 1/

1/ Describe on a Continuation Sheet.

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1.3.1	Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)
1.4.0	<u>Cost Accounting Period:</u> <u>7/1 - 6/30</u> (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements. e.g., 7/1 to 6/30. If the cost accounting period is other than the institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)
1.5.0	<u>State Laws or Regulations.</u> Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations special agreements on allowance of costs.

NONE

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1.1.0 Description of Your Cost Accounting System.

The University uses both the accrual and cash bases for charging expenses to Federally sponsored agreements. The costs of externally purchased goods and services, including materials and supplies, equipment, consulting and professional services are recorded on an accrual basis (i.e. when the liability to pay is created).

Personnel costs, including salaries and wages, vacation and leave costs, travel costs and internal sales and services costs are recorded on a cash basis. Employee fringe benefits are charged through the application of various rates, developed in advance of the fiscal year and based upon projected cash expenditures for that year. Indirect costs are applied at the end of each month based upon the total applicable expenses made to each agreement.

Each Federally sponsored agreement is assigned a unique six-digit 'account number' within the University's financial record system, for which costs are then budgeted and accumulated by expenditure type (a four-digit 'sub code'). Information concerning a specific sponsored agreement can be obtained in detail by transaction, or in summary by a fiscal or project term basis.

1.2.0 Integration of Cost Accounting with Financial Accounting:

The cost accounting system is integrated with the University's financial accounting system. Workday Financial Management (Workday FIN). The data accumulated in Workday FIN is used for both financial reporting and for the calculation of an indirect cost proposal. Direct costs of all sponsored agreements are accumulated in Workday FIN.

Direct costs charged to sponsored agreements are fully integrated with the University's financial accounting system. Within the accounting system, each sponsored agreement is assigned a unique worktag (i.e account number). Associated and identified with each worktag are various attributes such as project title, sponsor, and principal investigator. The accounting system includes information necessary to accommodate the reporting requirements of each sponsored agreement.

Indirect and fringe benefit costs are charged to Federally sponsored programs based on rates negotiated with the Department of Health and Human Services, Cost Allocation Services. The amounts included in the University's indirect cost pools are based on cost information generated by the financial accounting system. However, adjustments and reclassifications are needed to recast the information in the University's financial statements into the cost pools and direct bases required by Uniform Guidance. The specific adjustments and reclassifications are listed and explained in schedules included in the University's indirect cost proposals. Specific adjustments include the exclusion of certain types of costs as required by Uniform Guidance in order to calculate modified total direct costs. These exclusions are listed in the University's

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rate agreement and include such items as equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships/fellowships, participant support costs and subcontract costs greater than \$25,000. Additional adjustments are made to exclude costs specifically deemed unallowable by Uniform Guidance such as certain advertising/promotion, alcoholic beverages, charitable donations, fines and penalties, fundraising, and lobbying.

Reclassifications are made from broad categories of expenses as listed in the University's financial statements to more specific categories of expenses as required by Uniform Guidance. An example is reclassifying costs identified as Institutional Support in the University's financial statements to General Administration, Other Institutional Activities, Operations and Maintenance, and Departmental Administration. A second example is reclassifying costs identified as Sponsored Programs in the University's financial statements to Organized Research, Other Sponsored Activities, Instruction, and Sponsored Projects Administration.

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

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

The Fixed Asset System is a module with Workday FIN. Effort Certification and Reporting System is also a module within Workday FIN.

Also, as discussed in 3.1.0, some of the costs in the departmental administration pool are not accumulated by the formal accounting system and must therefore be accumulated through cost finding techniques or other calculations. The departmental support costs are determined through an analysis of departmental cost centers and the application of "Direct Charge Equivalents" (DCEs). As discussed in 2.1.0., DCE's are mathematical formulas which estimate the portion of departmental general fund expenses that should be assigned directly to instruction and other non-sponsored direct cost objectives, and the portion that should be included in the departmental administration indirect cost pool.

The development of indirect and fringe benefit rates are accomplished through cost finding procedures that are not part of the formal accounting system. Rates are developed using excel spreadsheets populated with data from the formal accounting system.

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1.3.0 Unallowable Costs:

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

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

1.3.1 Treatment of Unallowable Costs

Unallowable costs are excluded from charges to federally sponsored agreements. Unallowable directly associated costs as defined in CAS 505 will also be excluded from charges to federally sponsored agreements.

(a) Indirect Cost Pools:

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

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

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

End of Part I

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Instructions for Part II

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

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

1/ Describe on a Continuation Sheet.

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

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

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

1/ Describe on a Continuation Sheet.

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2.5.1 Salary and Wage Cost Distribution Systems.

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

 Yes
 X No

2.5.2 Salary and Wage Cost Accumulation System.

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

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

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

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

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

Yes

No

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

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

1/ Describe on a Continuation Sheet.

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

I. Introduction

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

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

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

II. General Rule for Charging Direct Costs

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

For NIH Modular grants, the requirement for explicit budgeting for costs that are normally F&A, such as administrative/clerk salaries, is met by listing the administrative/clerk employee or position in the personnel justification, along with the related information required in the justification. The requirement for prior approval of the Federal awarding agency does not apply where the agency has waived the prior approval requirement. If the costs have not been explicitly budgeted and the prior approval requirement has been waived, the costs must be approved internally by a designated University official.

If a cost benefits more than one project or activity in proportions that can be easily determined without undue effort or cost, the cost is allocated to the projects based upon the proportional benefit to each.

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Non-salary and wages cost sharing:

For projects with non-salary and wages cost sharing commitments, at project end or a reporting interval defined by the sponsor, the department is required to submit a report to the Office of Sponsored Projects indicating the level of required cost sharing by cost element. The expenditures which reflect cost sharing are from non-federally funded accounts and documentation is the responsibility of the academic department.

III. Additional Criteria for Charging Direct Costs

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

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

2.2.0 Description of Direct Materials:

Materials and Supplies (including but not limited to):

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

Non-capitalized computing devices that are essential and allocable to Federal awards are charged directly to the awards, regardless of whether they are solely dedicated to the performance of the awards.

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

Brown University has a central source for institution-owned inventory. The department responsible for the purchase and distribution of central inventory at the University is Stores Operations. The price charged by Stores Operations is equal to the most recent invoice cost plus any applicable shipping cost.

2.4.0 Description of Direct Personal Services

The principal classes of direct personal service costs are faculty, technical staff, lab assistants, and students. Amounts provided to post doctoral and graduate students for work on research projects and teaching activities are also treated as a direct cost. The direct charges include

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salaries and fringe benefits. Salaries and fringe benefits of administrative and clerical staff are charged directly under the conditions described in 2.1.0.

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

2.5.0 Method of Charging Direct Salaries and Wages:

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

Undergraduate students are paid bi-weekly based upon the actual number of hours submitted and approved by the hiring department. Hours are electronically submitted in the Workday HCM (human capital management) system in order for these individuals to be paid and charged to a specific driver worktag (account).

Graduate students employed by the University are paid on a monthly basis, based upon a fixed salary amount determined at the time of their appointment. At the time the graduate student is hired in Workday HCM, a costing allocation is assigned. The costing allocation assigns a driver worktag (account). The costing allocation can include more than one driver worktag, the percentage of effort is indicated for each driver worktag in order to properly distribute the salary.

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

2.5.1 Salary & Wage Cost Distribution Systems:

The cost distribution methods described in Item 2.5.0 are not used by all employees compensated by the University. Those employees which are excepted (in accordance with Uniform Guidance) include: 1) those charged 100% to one the indirect cost pools (i.e. general administration, operations and maintenance, sponsored project administration); 2) those charged 100% to the direct cost objectives "Other Institutional Activities" and "Instruction"; and 3) those charged to any "unallowable " cost activity such as those stated in Item 1.3.0.

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2.5.2 Salary and Wage Cost Accumulation System:

Responsible officials determine and assign the planned (budgeted) costing allocation of each employee's salary within Workday HCM based on an estimate of the employee's effort distribution. The costing allocation is used to determine the initial charges for salary costs to sponsored agreements. After-the-fact activity reports are used to determine the actual distribution of employee salaries. Where the actual distribution differs from the budgeted distribution, the charges to sponsored agreements are appropriately adjusted in the accounting system.

The salary distribution and accounting system (Workday HCM and Workday FIN) identifies the salaries directly charged to sponsored agreements as well as the salaries the University contributes to sponsored agreements as cost sharing. The University's cost sharing policy was issued by the University's Office of Sponsored Projects with a latest effective date of October 1, 2011.

2.6.0 Description of Direct Fringe Benefit Costs:

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

- a) Defined Contribution Retirement Plans.
- b) Defined Benefit Pension Plan
- c) Group Health Insurance.
- d) Group Life Insurance
- e) Group Dental Insurance
- f) Long Term Disability Insurance
- g) Unemployment Insurance
- h) Workers Compensation Insurance
- j) Employee Education Program/Tuition Remission.
- k) Sabbatical Leave
- l) Faculty Retirement Plan.
- m) Benefits Administration.
- n) Transportation.
- o) Dependent Care

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contract and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for cost of these paid absences.

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2.6.1 Method of Charging Direct Fringe Benefits

Fringe benefits (excluding leave costs) are charged to federally sponsored agreements based on an annual fringe benefit rate negotiated with the Department of Health and Human Services, Cost Allocation Services. The University develops and negotiates separate fringe benefit rates for Full-Time employees and another for Part-Time employees.

Fringe benefit costs are projected annually based on actual prior years costs. Carry forward adjustments are made in the rate computation to compensate for prior year over or under-recoveries. The rate base for the Full Time and Part Time categories consists of the salaries and wages identified for each category.

2.7.0 Description of Other Direct Costs.

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

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

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

End of Part II

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Instructions for Part III

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

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

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

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

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

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

1/ Describe on a Continuation Sheet.

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<u>Item No.</u>	<u>Item Description</u>	(1)	(2)	(3)	(4)	(5)	(6)
3.2.0	<u>Service Centers.</u> 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.)						
(a)	Scientific Computer Oper (Central)	__ Not Billed - See Continuation Sheet __					
(b)	Business Data Processing	__ Not Billed - All Indirect (G&A) __					
(c)	Animal Care Facilities	_A_	_A_	_C_	_B_	_A_	_Y_
(d)	Other Service Centers with Annual Operating Budgets exceeding \$1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)						

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

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3.3.0 Indirect Cost Pools and Allocation Bases

(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.)

<u>Indirect Cost Pools</u>	<u>Allocation Base Code</u>
A. Instruction	
<u> Z </u> On-Campus	<u> Z </u>
<u> Z </u> Off-Campus	<u> Z </u>
<u> Z </u> Other ^{1/}	<u> Z </u>
B. Organized Research	
<u> X </u> On-Campus	<u> D </u>
<u> X </u> Off-Campus	<u> D </u>
<u> Z </u> Other ^{1/}	<u> Z </u>
C. Other Sponsored Activities	
<u> X </u> On-Campus	<u> D </u>
<u> Z </u> Off-Campus	<u> Z </u>
<u> Z </u> Other ^{1/}	<u> Z </u>
D. Other Institutional Activities	<u> Z </u>

3.4.0 Composition of Indirect Cost Pools. (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, sub groupings of expenses, and elements of cost included.)

^{1/} Describe on a Continuation Sheet.

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3.5.0 Composition of Allocation Bases. (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 .

3.6.0 Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs. 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?

A. X Yes

B. No 1/

1/ Describe on a Continuation Sheet.

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3.1.0 Indirect Costs Categories - Accumulation and Allocation.

Accumulation Method

Depreciation on Buildings and Equipment.

The acquisition costs of buildings and equipment is recorded in the University's Fixed Asset System (Workday). This information is used to compute annual depreciation costs identified in the financial statements and used in the indirect cost rate calculations. The straight-line methodology is used for all other buildings and for equipment.

Interest Expenses are the costs associated with external debt on buildings, equipment, and capital improvements as defined in Uniform Guidance. The total interest expense for a fiscal year is identified in the University's accounting system. A particular bond issue may finance several construction projects or items of capital equipment. The amount of interest allocated to each construction project or item of equipment is based on that project's or item's proportional share of the bond issue.

Department Administration expenses are only partially identified by the accounting system. This cost pool consists of the administrative costs of deans' offices; costs associated with the administrative work of department heads, faculty and other professional research and academic staff; and other departmental support services. The costs of deans' offices are identified by the accounting system. The costs associated with administrative activities of department heads, faculty, and other professional research and academic staff are covered by a standard allowance of 3.6% of modified total direct costs as specified in Uniform Guidance.

The remaining departmental support costs include the salaries and fringe benefits of administrative and clerical staff (excluding direct charges for administrative and clerical services under the conditions discussed in 2.1.0), departmental business managers, office supplies, postage, travel associated with administrative activities, etc. This portion of departmental administration expenses is accumulated through an analysis of departmental general fund accounts and the application of "Direct Charge Equivalents" (DCEs). As discussed in 2.1.0, DCEs are mathematical formulas which estimate the portion of departmental general fund expenses that should be assigned directly to instruction and other non-sponsored direct cost objectives, and the portion that should be included in the departmental administration indirect cost pool.

Allocation Base Code

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Library

For the Library there are two levels of allocation, as prescribed in Uniform Guidance. The first allocation distributes the cost on the basis of FTE's for students, professional employees and other users. The student FTE amount is then allocated 100% to the instruction base. The professional employee FTE amount is allocated to functions based on the salaries and wages for the professional employees. The Other Users FTE amount is allocated 100% to the OIA base.

Student Administration and Services

Student Administration and Services costs are allocated entirely to the instruction function in accordance with the standard allocation base in Uniform Guidance.

3.2.0 Service Centers.

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

(c) In accordance with current Uniform Guidance cost principles, the University will include both the direct costs and the allocable share of the F&A costs in the animal care facility rates. Should changes in federal regulations occur, regarding the treatment of F&A costs, the University will adjust its procedures accordingly.

(c)(4) External users of the Animal Care Facility are charged at the same direct cost rates as internal users, plus the applicable F&A cost rate.

(c)(6) The Animal Care Facility operates at a loss to the University. The Animal Care Facility variance at year-end is closed to general University funds and is not reflected in future year rates.

(d) Other service centers at the University are smaller units that also bill users for direct costs incurred only. All of these centers had operating budgets of less than \$1 million.

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3.4.0 Composition of Indirect Cost Pools.

Depreciation

These cost pools include depreciation on the University's buildings, equipment, and capital improvements computed in accordance with Uniform Guidance. See Part IV for additional information on the computation of depreciation. The depreciation cost pools exclude depreciation on assets paid for with Federal funds. The building costs are segregated into components and charged based upon respective useful lives. All depreciation is taken on a straight line basis. The equipment depreciation pool also excludes depreciation on equipment charged to non-federal sponsored agreements in accordance with guidance issued by OMB. Depreciation on the remaining value of this equipment is included in the equipment depreciation pool after the non-federal agreements expire.

Interest

This cost pool includes interest on debt associated with buildings, equipment and capital improvements placed in service on or after July 1, 1982.

Operations and Maintenance

The O&M pool consists of expenses incurred for the administration, supervision, operation, maintenance, preservation, and protection of facilities, as defined in Uniform Guidance. These expenses include those incurred for such items as utility costs, custodian services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; environmental services; hazardous waste disposal; property, liability and all other insurance relating to property; space and capital leasing; facility planning and development; and central receiving. The O&M cost pool also includes its allocable share of fringe benefit costs, depreciation, and interest costs.

Operations and Maintenance costs are accumulated into separate sub-pools. Each sub-pool is then allocated based on the assignable square feet of space being supported. Examples of sub-pools and their allocations are 1) campus-wide square feet for costs that support the entire campus, 2) specific building square feet for costs that can be identified to a specific building, 3) subset of buildings square feet for costs identified to a cluster of buildings, and 4) in the case of environmental services, based on the square feet of the lab and lab service rooms where hazardous materials are removed.

The University includes the Utility Cost Adjustment in the indirect cost rate for Organized Research.

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General Administration and General Expense.

This pool includes allowable costs associated with campus-wide general support. Expenses are composed of salaries and wages, applicable fringe benefits, and operating costs as defined by Uniform Guidance. The General Administration cost group is comprised of allowable expenses of, but not limited to, the following University offices:

- President's Office
- Provost's Office
- Executive Vice President for Finance and Administration
- Finance Division
- Human Resources
- Office of the General Counsel
- Administrative Computing
- Internal Audit
- Risk Management

General & Administrative also includes the applicable share of, building and equipment depreciation, operations and maintenance costs, and interest.

Departmental Administration.

The DA pool consists of expenses incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in deans' offices, academic departments and organized units, as defined in Uniform Guidance. The DA cost pool includes salaries and wages, fringe benefits, and non-labor costs. Also included are the applicable allocations made from building and equipment depreciation, interest, operations and maintenance and general administration cost pools. See 3.1.0 for additional information on the composition and accumulation of the DA cost pool.

Sponsored Project Administration.

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

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

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Library

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

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

Student Administration and Services

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

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

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

3.5.0 Composition of Allocation Bases.

(a) Modified Total Cost Base.

The Modified Total Cost Base (MTC) is used to allocate the cost pools, General & Administration, Departmental Administration and Sponsored Project Administration. It includes as direct costs, materials and supplies, salaries and wages, fringe benefits, travel, communication, postage, equipment rental and repair and internal service center charges. It does not include equipment purchases, student aid or tuition charges, debt service, and sub agreement costs in excess of \$25,000. MTC, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first \$25,000 of

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each sub award (regardless of the period of performance of the sub awards under the award). MTC shall exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each sub award in excess of \$25,000.

(b) Modified Total Direct Cost Base.

The Modified Total Direct Cost Base (MTDC) is used to determine the actual organized research indirect cost rate and the method in which the rate is to be applied to sponsored agreements. Modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first \$25,000 of each sub award (regardless of the period of performance of the sub awards under the award). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each sub award in excess of \$25,000.

(c) Number of Employees – Full-time Equivalent (FTE)

This base is used in determining the allocation of Library costs to the final cost objectives. The number of employees, on a FTE basis, is combined with the number of students and the number of outside users of the library to develop a total potential population of users. A FTE equals one full-time headcount plus one-half a part-time headcount. Faculty members and research graduate students are further allocated to final cost objectives on the basis of direct salaries and wages. This base is updated on an annual basis.

(d) Number of Students - Full-time Equivalent (FTE)

The total FTE on the number of students, both graduate and undergraduate, is used to allocate student service costs to final cost objectives. The total FTE for research graduate students compared to the total student population is applied to student service costs, including cross allocations, to determine the costs in this pool applicable to organized research. This base is updated on an annual basis.

(e) Square Footage.

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

End of Part III

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

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

Column (1)-Depreciation Method Code

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

Column (3)-Property Unit Code

- A. Individual units are accounted for separately
- B. Applied to groups of assets with similar service lives
- C. Applied to groups of assets with varying service lives
- Y. Other or more than one method 1

1/ Describe on a Continuation Sheet.

Column (2)-Useful Life Code

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

Column (4)-Residual Value Code

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

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- 4.1.1 Asset Valuations and Useful Lives. Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)
- A. Yes (see Continuation Sheet)
B. No 1/
- 4.2.0 Fully Depreciated Assets. Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one.; If yes, describe the basis for the charge on a continuation sheet.)
- A. Yes
B. No – (Except as noted in continuation sheet 4.1.0.)
- 4.3.0 Treatment of Gains and Losses on Disposition of Depreciable Property. Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)
- A. Excluded from determination of sponsored agreements costs
B. Credited or charged currently to the same pools to which the depreciation of the assets was originally charged
C. Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved
D. Not accounted for separately, but reflected in the depreciation reserve account
Y. Other(s) 1 /
Z. Not applicable
- 4.4.0 Criteria for Capitalization. (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or sub category of assets involved which differs from those for the majority of assets.)
- A. \$5,000 Minimum Dollar Amount
B. Greater than 1 year Minimum Life Years
- 4.5.0 Group or Mass Purchase. Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)
- A. Yes
B. No

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- 4.1.0 Leasehold improvements are depreciated over the life of the lease or estimated service life, whichever is less.
- 4.3.0 In accordance with Section 200.443 of the Uniform Guidance, the University has excluded gains and losses on the disposition of depreciable property from the determination of sponsored agreement costs. Uniform Guidance requires that gains and losses be treated as credits or charges to the asset cost groupings in which the property was included. The University complies with this requirement in the development of the F&A rate proposal.

End of Part IV

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

- A. Cash
- B. Accrual

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

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

1/ Describe on a Continuation Sheet.

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5.2.0 Applicable Credits.

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

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

Vendor and Credit Card Rebates are handled as an offset against the Operations and Maintenance cost pool in the F&A rate calculation.

End of Part V

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Instructions for Part VI

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

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

6.1.0 Pension Plans.

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

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

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

 1 Describe on a Continuation Sheet.

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

1/ Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD

Revision No. 4, Effect Date: July 1, 2017

DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679

PART VI-
DEFERRED COMPENSATION AND INSURANCE COSTS
NAME OF REPORTING UNIT:

EDUCATIONAL INSTITUTIONS

BROWN UNIVERSITY

Item No.

Item Description

6.4.2 Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

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

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

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

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

Y. Other or more than one method. 1/

Z. Not Applicable.

1/ Describe on a Continuation Sheet.

Item No.

Item Description

Continuation Page

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

(a) Actuarial Cost Method:

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

(b) Asset Valuation Method:

Assets are valued at fair market value.

(c) Criteria for Changing Actuarial Assumptions and Computations.

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

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

(d) Amortization Periods for Prior Service Costs:

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

(e) Amortization Periods for Actuarial Gains and Losses:

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

(f) Funding Policy:

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

6.2.0 Post retirement benefits other than pensions.

(1) Plan 65 – Medicare Supplement Plan with Prescription Benefit

- (a) Approximate number of employees covered – 12
- (b) Type of employees covered – Employees retiring before March 31, 1994.

(2) Blue Cross & Blue Shield of RI PPO HealthMate Coast-To-Coast, UnitedHealthcare PPO Choice Plus, or UnitedHealthcare CDHP Choice Plus Consumer Directed Health Plan

- (a) Approximate number of employees covered – 31
- (b) Type of employees covered – Retirees age 55 or older with 10 or more years of service.

Benefit:

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

End of Part VI

EDUCATIONAL INSTITUTIONS

BROWN UNIVERSITY

Item No.

Item Description

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

Instructions for Part VII

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

NOT APPLICABLE TO BROWN

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

7.1.0 Organizational Structure.

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

7.2.0 Cost Accumulation and Allocation.

On a continuation sheet, provide a description of:

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

End of Part VII