

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT (CASB DS-2)
FOR
THE UNIVERSITY OF PENNSYLVANIA

**Cost Accounting Standards Board
Disclosure Statement**

Cover Sheet and Certification

0.1 Educational Institution

University of Pennsylvania
Office of Research Services
5th Floor, Franklin Building
3451 Walnut Street
Philadelphia, PA 19104-6205

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
Susie C. Won ; Director of Cost Analysis, Office of Research Services
- b. Phone Number (include area code and extension)
(215) 898-7293

0.4 Statement Type and Effective Date:

- A. (Mark type of submission. If a revision, enter number)
 - (a) Original Statement
 - (b) Amended Statement; Revision No. 3
- B. Effective Date of this Statement: June 30, 2016

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

- A. Cognizant Federal Agency: Department of Health and Human Services
Grants Finance and Administration Services
Program Support Center
26 Federal Plaza, Room 3412
New York, NY 10278
- B. Cognizant Federal Auditor: Department of Health and Human Services
Office of the Inspector General/Audit Services
801 Market Street, Suite 9700
Philadelphia, PA 19107

0.6 List of Revisions in this version:

- 1.1.0 – Clarification of wording in continuation sheet
- 1.2.0 – Update of reference to appropriate Uniform Guidance section
- 1.3.1 - Update of references to appropriate Uniform Guidance section
- 2.1.0 - Update of references to appropriate Uniform Guidance section & clarification of continuation sheet description for the salaries and fringe benefits of administrative and clerical staff
- 2.5.0 - Method of charging direct salaries and wages for “Others” category marked and described in continuation.
- 2.5.2 - Clarification of wording in continuation sheet
- 2.6.0 - In Continuation sheet: Removal of tuition benefits for dependents and associated description, removal of cost of employee use of athletic facilities, and additional adoption and backup care benefit
- 2.6.1 - In Continuation sheet: minor clarification of descriptions in conjunction with changes under 2.6.0
- 3.1.0 - In Continuation sheet: update of references to appropriate Uniform Guidance section & change from “Office of Facilities” to “Office of Facilities and Real Estate Services”
- 3.2.0 - Update of references to appropriate Uniform Guidance section and revision of codes for Scientific Computing Operations
- 3.3.1 - Addition of allocation base for Instruction Off Campus indirect cost pool
- 3.4.0 - Minor clarifications in the following continuation sheet sections:
 - Operation and Maintenance
 - General and Administrative Expenses
 - Departmental Administration (DA)
 - Sponsored Projects Administration
 - Student Services Administration
- 3.5.0 - Update to name of space system, and update of references to appropriate Uniform Guidance section
- 6.1.2 - Removal of specific name of plan actuary
- 6.2.1 - Removal of specific name of plan actuary. Under Funding policy, “approximates” replaces “equals”.

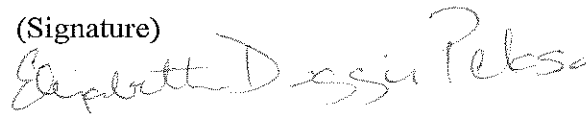
CERTIFICATION

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. § 422.

Date of
Certification: 2/19/2019

(Signature)



Elizabeth D. Peloso

(Print or Type Name)

Associate Vice President / Associate Vice Provost for Research Services

(Title)

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

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**Part I: General Information
UNIVERSITY OF PENNSYLVANIA**

1.1.0 Description of Your Cost Accounting System for recording expenses charged to
REVISED 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).

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

Continuation

Each Federally sponsored agreement is assigned a separate number in our financial accounting system against which actual identifiable direct costs are recorded. Direct costs such as salaries (including paid leave described in 2.4.0) are charged to sponsored agreements on the cash basis when payments are made. Other direct costs, such as supplies and equipment, which typically run through accounts payable processes are recorded when invoices are recognized. Fringe benefits are based on the University's fringe benefit rate.

Indirect cost and fringe benefit rates are based on the University's annual financial statements which include normal accruals for accounts payable, pensions, post-retirement health benefits, etc.

For financial statement purposes, accounts payable are accrued when commitments (obligations) are made.

(Note: As used in this document, the term "salaries" includes both salaries and wages).

1.2.0 Integration of Cost Accounting with Financial Accounting. The cost accounting
REVISED 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. X Combination of A and B.

Continuation

Describe costs which are accumulated on a memorandum basis.

Direct costs charged to sponsored agreements are fully integrated with the

1/ Describe on a Continuation Sheet.

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University's financial accounting system.

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 required by OMB Uniform Guidance 2 CFR 200 Appendix III (c). 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 allocation of indirect costs and the development of indirect cost rates are also accomplished through cost finding procedures which are not part of the formal accounting system.

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

- A. X 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/

Continuation

Describe how unallowable costs are recorded.

Unallowable costs such as advertising, alcoholic beverages, entertainment, dues and memberships, fines and penalties, gifts and goods and services for personal use are recorded in specific object codes in the general ledger and are excluded from the direct and indirect costs charged to sponsored agreements.

Unallowable activities such as alumni events, commencements, community services, fund raising and lobbying are recorded in separate accounts in the ledger and are not allocated to federally funded projects.

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).

REVISED

 1/ Describe on a Continuation Sheet.

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Continuation

Unallowable costs are excluded from direct and indirect costs charged to Federally sponsored agreements. Unallowable directly associated costs as defined in CAS 505 will also be excluded from charges to Federally sponsored agreements.

As required by CAS 505, where unallowable costs would normally be part of a regular indirect cost allocation base, they will remain in that base. This is accomplished by classifying unallowable costs as "Other Institutional Activities" and allocating indirect costs to these activities as part of the normal indirect cost allocation process.

The classification of unallowable activities as Other Institutional Activities is required by Appendix III A.1.d in the Uniform Guidance. In the interest of consistency, the University has elected to treat all unallowable costs in this manner if the unallowable costs are of a nature that would be included in the Modified Total Direct Cost (MTDC) base specified in 2 CFR 200.451. An exception to this treatment is made for cost overruns and other unallowable direct costs of sponsored agreements. These costs remain in the direct cost base of the sponsored projects if they are of a nature that would be included in the MTDC base required by the Uniform Guidance.

1.4.0 Cost Accounting Period. July 1 - June 30 (Specify the twelve month period used for the accumulation and reporting 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 State Laws or Regulations. 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.

Continuation

Identify any State laws or regulations influencing the institution's cost accounting practices.
The University has no knowledge of Commonwealth laws or regulations that materially influence the University's cost accounting practices.

1/ Describe on a Continuation Sheet.

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**Part II: Direct Costs
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**Instructions for Part
II**

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.

2.1.0 **Criteria for Determining How Costs are Charged to Federally Sponsored**
REVISED **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 costs 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).

Continuation

The University follows the provisions of the Uniform Guidance in determining the treatment of costs as direct or indirect. Accordingly, costs that can be identified specifically with a particular sponsored project, or any other institutional activity, with relative ease and a high degree of accuracy, are charged directly to the benefiting project or activity. Conversely, costs incurred for common or joint objectives which cannot be identified readily and specifically with a particular sponsored project, instructional activity or other institutional activity, are treated as indirect costs.

The University also follows the guidelines in Appendix III section B.6.b of the Uniform Guidance which specifies the normal treatment of certain costs commonly incurred by academic departments and organized research units. University guidelines for the charging and approval of direct cost expenditures are contained in Sponsored Projects Policy No. 2110 Federal Direct Cost Expenditures.

Within academic departments and organized research units, major cost categories are treated as follows:

- Salaries and fringe benefits of faculty, professional staff (e.g. research assistants), technicians, lab assistants and graduate students associated with effort on research projects, instructional activities and other direct cost objectives, are treated as direct costs. Tuition remission provided to graduate students for work on research projects and teaching activities is also treated as a direct cost. Salaries and fringe benefits of

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faculty and professional staff associated with administrative activities are treated as indirect costs.

- Salaries and fringe benefits of administrative and clerical staff are normally treated as indirect costs, as required by Appendix III section B.6.b of the Uniform Guidance. However, in accordance with section 200.413, direct charging of these costs to federally sponsored project awards may be appropriate under the specified conditions.
- The costs of laboratory supplies (e.g. chemicals, glassware, etc.), instructional supplies, animals, animal care and other specialized services, travel, consulting services, long distance telephone toll charges and the other items enumerated in 2.2.0. and 2.7.0. identifiable to research, instruction or other direct cost objectives are treated as direct costs.
- The costs of office supplies, postage, local (basic) telephone costs and memberships are treated as indirect costs except under the conditions specified in Sponsored Projects Policy No. 2110.

The University relies primarily on principal investigators and the academic department business administrators to determine whether direct charges for administrative or clerical salaries, office supplies, postage, memberships and similar costs are appropriate for a particular project in accordance with established University Sponsored Projects Policy No. 2110, and to fully justify these costs, where appropriate, to sponsoring agencies in grant applications and contract proposals.

In order to assure consistent treatment of costs between sponsored agreements and non-sponsored activities within academic departments, staff support costs (e.g. administrative and clerical salaries), where appropriate, are distributed to sponsored agreements and other non-sponsored direct cost objectives based on the University's salary distribution system described in 2.5.0 and 2.5.2. We then utilize the "Direct Charge Equivalent" (DCE) methodology contained in the MAXIMUS CRIS F&A software system to assign an appropriate amount of staff support costs as well as a portion of non-labor costs (e.g. travel, long distance telephone expenses, etc.) to the instruction function, and an appropriate amount to the Departmental Administration F&A pool. DCEs are mathematical formulas which estimate the portion of departmental general fund expenses that should be assigned directly to non-sponsored

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activities and the portion that should be included in the Departmental Administration indirect cost pool. (See description of the accumulation of Departmental Administration expenses in 3.1.0). The DCEs are applied to the non-labor cost categories that are charged directly to sponsored agreements. The use of DCEs is a long established accounting convention at academic institutions that is designed to help achieve consistent treatment of costs as required by the Uniform Guidance and CAS 502, and at the same time recognize the generally accepted accounting practices of the institutions.

- 2.2.0 Description of Direct Materials.** All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. Materials and supplies, like those listed below, may be charged as direct costs only or as F&A (department expense) costs only to final cost objectives which are sponsored projects, gifts or endowment funds or the academic budget when incurred for the same purpose in like circumstances. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies).

Continuation

Description of Direct Materials. The principal classes of materials and supplies which are charged directly to sponsored agreements are:

Animals
Chemicals
Compressed Gases
Drugs
Glassware
Liquid Nitrogen
Machine Supplies
Medical Supplies
Photo Supplies
Laboratory Supplies
Non-Library Books and Reprints
Computer Software, Accessories and Supplies
Minor Equipment (Below capitalization threshold)

- 2.3.0 Method of Charging Materials and Supplies.** (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet).

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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. X First In, First Out
- B. _____ Last In, First Out
- C. _____ Average Costs 1 /
- D. _____ Predetermined Costs 1 /
- Y. _____ Other (s) 1 /
- Z. _____ Not Applicable

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 benefit costs, if any, within each major institutional function or activity that are charged as direct personal services).

Continuation

The principal classes of direct personal service costs are faculty, research associates, post-doctoral fellows, technicians, lab assistants and graduate students. The direct charges include salaries, fringe benefits and, in the case of graduate students, tuition remission. Salaries and fringe benefits of administrative and clerical staff are charged directly under the conditions described in 2.1.0.

2.5.0 Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) *REVISED* 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>Others ¹/</u>
	(1)	(2)	(3)	(4)
A. Payroll Distribution Method (Individual time card/actual hours and rates)	_____	_____	_____	<u> X </u>

¹/ Describe on a Continuation Sheet

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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)	<u> X </u>	<u> X </u>	<u> X </u>	_____
D.	Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee’s activities, direct and indirect charges are certified separately)	_____	_____	_____	_____
Y.	Other(s) <u> 1 </u>	_____	_____	_____	_____

Continuation

The University utilizes a web based Effort Reporting System (ERS). This system automates the process and is used to account for the effort of the following categories of University employees: Faculty, graduate students, and all administrative and professional and technical employees with charged effort on sponsored projects who do not submit timesheets for pay. Employees submitting timesheets which substantiate salary charges to sponsored projects are not included in ERS. The University has established criteria on this subject in Sponsored Projects Policy No. 2114 Effort Reporting.

2.5.1 Salary and Wage 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).

 X Yes
 _____ No

2.5.2 Salary and Wage Cost Accumulation System

REVISED

(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

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activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records).

Continuation

The salary expense of each University employee in the major functions of the institution is recorded in the various account(s) in the financial accounting system to which it was distributed based on the planned distribution of their efforts as established in the payroll distribution system and any subsequent payroll reallocations used to adjust the planned distribution of effort. This distribution of each employee's salary is also recorded and accumulated in the Effort Reporting System. After-the-fact personnel activity reports are then produced from this system and distributed in order to certify the direct activity charged to sponsored projects, identify mandatory and committed cost sharing, and identify other activity of those employees working on sponsored projects.

Salary effort identified as cost sharing is quantified then added to the funded research salary expense in the development of the departmental administration component of the F&A rate proposal, as well as the final research distribution base.

Limitation on salary expense that can be charged to NIH funded projects. Our effort reporting instructions and procedures include a section providing information and examples for calculating the value of effort over the NIH authorized limit and reporting the value of this effort as cost sharing on the effort report form where it is accumulated with other reported cost sharing and used in the F&A rate calculation as described above.

The distribution of salary expense to the financial accounting system is based on and reconciled to the total compensation of the employee as established in the payroll system. There are controls in the payroll system to ensure that the distribution of salary expense to individual accounts reconciles to the total compensation of the individual.

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.).

REVISED

Continuation

The following are all components of the costs which are classified as fringe benefit costs and charged to federally sponsored programs as a direct cost when related salaries are a direct cost and as an indirect cost when related salaries are an indirect cost through the application of the federally negotiated employee benefit rate.

1. Unemployment Compensation

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-
2. Long Term Disability Insurance
 3. Short Term Disability Program
 4. Workers' Compensation
 5. Special Pensions
 6. Tuition Benefits for Employees
 7. Sabbatical Leave
 8. Retirement Plan-Defined Benefit
 9. Retirement Plan-Defined Contribution
 10. Life Insurance
 11. Social Security
 12. Health Insurance
 13. Dental Insurance
 14. Faculty Early Retirement
 15. Benefits Office - Costs Associated with Administering the Benefits Program
 16. Flexible Benefits Plan - Costs of Flexible Benefits Program
 17. Post Retirement Benefits (FAS 106)
 18. Other
 - a) Contributions to Union Welfare Plans
 - b) Faculty & Staff Assistance Programs
 - c) Adoption and Backup Care Benefit

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).

REVISED

Continuation

All fringe benefits, including sabbatical leave but excluding other leave costs, are charged to cost objectives based on annual fringe benefit rates negotiated with the cognizant Federal agency. Fringe benefit costs are projected annually based on the actual prior year costs, adjusted as necessary to reflect anticipated costs. Carry-forward adjustments are made in the rate computation to compensate for prior year over or under-recoveries. The rate base consists of the salaries and wages of all University employees.

1. Unemployment Compensation
Self insurance cost for the fiscal year representing unemployment compensation paid to eligible terminated employees.
2. Long Term Disability Insurance
Self insured program provides salary replacement for permanently disabled employees.

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-
3. Short Term Disability Program
Short term pay continuation program for employees meeting program requirements.
 4. Worker's Compensation
Self insured program which provides salary replacement as well as medical expense.
 5. Special Pension
Payments made to long retired employees not covered by current retirement plans.
 6. Tuition Benefits
Cost of employee tuition for courses taken during the fiscal year at Penn.
 7. Sabbatical Leave
Cost of granting leaves to tenured faculty during a fiscal year; on a cash basis.
 8. Retirement Plan - Defined Benefit
Plan for non-exempt employees. Expense represents actuarial calculation of expense based on FAS 87 and actuarial consulting fees.
 9. Retirement Plan - Defined Contribution
Plan for exempt employees. Expense represents University contributions ranging from 6% to 9% of employee salary. Expense is charged on cash basis.
 10. Life Insurance
Self insured actual expense paid during the fiscal year.
 11. Social Security
Cash payments made for both FICA and Medicare as required by law.
 12. Health Insurance
University net cost (after employee deductions) of various health plans (Blue Cross, HMO's) for costs incurred during the year. Some of the health plans are premium based (most HMO's) and are fully self insured, except for major medical expenses.
 13. Dental Insurance
University net cost of two employee-option plans. Based on costs incurred during the year.
 14. Faculty Early Retirement
Incentive program for eligible tenured faculty to retire. Expenses are charged in accordance with FAS 87.
 15. Benefits Office
Cost of administering and monitoring various health plans, insurance plans, etc as

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well as benefit counseling of employees. Costs are charged as incurred.

16. Flexible Benefits Plan

Cash payments to employees who opted for cash rather than life insurance.

17. Post Retirement Benefits (FAS 106)

Represents payments made to an independent fund determined by actuarial calculations in accordance with FAS 106 for post-retirement medical and life insurance benefits.

18. Other

- a) Cash contributions made during the year to various union welfare funds
- b) Faculty and Staff Assistance Program costs charged as paid for various counseling services.
- c) Reimbursement for a portion of eligible adoption expenses and limited subsidies for temporary backup dependent care expenses.

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, subgrants, subcontracts, malpractice insurance, etc.).

Continuation

Travel

Tuition

Equipment Repair

Service Contracts

Subcontracts

Participant Costs

Consultant Costs

Outside Rental and Lease Costs

Patient Care Equipment

Printing and Duplication

Telephone Charges

Animal Care and Per Diem

Computer Charges

Laboratory and Shop Charges

1/Describe on a Continuation Sheet.

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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 cost accounting periods.) (Mark one, if "No", explain on a continuation sheet how the credit differs from original charge).

_____ Yes
 X No

Continuation

The credit amount of the specific charge that is being transferred is always based on the amount of the original charge, however, in instances where the credit is made in a subsequent fiscal year, the fringe benefit and indirect cost rates of the subsequent period are applied.

2.9.0 Interorganizational 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 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).

	<u>Materials</u>	<u>Supplies</u>	<u>Services</u>
A. At full cost excluding indirect costs attributable to group or central office expenses.	<u> X </u>	<u> X </u>	<u> X </u>
B. At full cost including 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. Interorganizational transfers are not applicable.	_____	_____	_____

1/ Describe on a Continuation Sheet.

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**Part III: Indirect Costs
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Instructions for Part III

Institutions should disclose how the segment's total indirect costs are identified and accumulated in specific 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 and 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) 1/
- Y. Other(s) 1/
- Z. Category or Pool not applicable

1/ List on a continuation sheet the category and subgrouping(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. *REVISED* (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 locating the accumulated costs of each indirect cost category to other applicable direct 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>Allocation</u> <u>Indirect Cost Category</u>	<u>Accumulation</u> <u>Method</u>	<u>Allocation</u> <u>Base Code</u>	<u>Sequence</u>
(a) Depreciation/Use Allowance/Interest Building Equipment Capital Improvements to Land <u>1/</u> Interest <u>1/</u>	<u>Y</u> <u>Y</u> <u>Y</u> <u>Y</u>	<u>L</u> <u>L</u> <u>Y</u> <u>L</u>	<u>1</u>
(b) Operation and Maintenance	<u>Y</u>	<u>P</u>	<u>2</u>
(c) General Administration and General Expense	<u>Y</u>	<u>C</u>	<u>3</u>
(d) Departmental Administration	<u>N</u>	<u>D</u>	
(e) Sponsored Projects Administration	<u>Y</u>	<u>D</u>	
(f) Library	<u>Y</u>	<u>P</u>	
(g) Student Administration and Services	<u>Y</u>	<u>A</u>	
(h) Other <u>1/</u>	<u>N/A</u>		

1/ Describe on a Continuation Sheet.

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Continuation

Accumulation Method

Capital Improvements to Land: We do not have a specific asset category for capital improvements to land in our plant asset fund. We do have a category entitled "Other University," which includes a variety of capital additions such as improvements to some buildings or structures not capitalized as an individual asset, improvements to leased or rented property, improvements to utility distribution systems, deferred maintenance projects, capitalized architectural and planning fees and other miscellaneous capital additions. The depreciation expense of each of these assets is calculated on a straight line basis.

Interest: Interest expense on external borrowing is recorded as a general expense in the University's financial accounting system. Separate accounts are established for recording the interest costs of each external borrowing. Our accounting practice is to amortize bond discounts and premiums over the life of the bonds issued and adjust the interest expense accordingly. For indirect cost allocation purposes, all external interest expense accounts are reviewed and the expense is identified specifically with the projects for which the funds were borrowed and, in the case of funds borrowed for a specific building, interest expense is assigned to that building and allocated to the functions in that building on the basis of square footage occupied by function. Interest expense incurred for general and administrative (G&A) activities, or operation and maintenance activities (O&M), is included in those respective cost pools and allocated to all direct and indirect activities on the modified total cost basis for G&A costs, or the square footage basis for O&M activities. For interest related to projects covering more than one building, the costs are allocated to the buildings based on the use of the funds for each building project then allocated to the functions in the building on the basis of square footage occupied.

Departmental Administration: Generally accepted accounting principles for colleges and universities do not include a category for the financial reporting of departmental administrative costs. All such costs are recorded and reported as instruction costs. Consequently, the University does not separate the administrative costs of an academic department from the instruction costs in our financial accounting system. This cost pool consists of the administrative costs of Dean's offices and the costs associated with the administrative work of faculty and other professional and support staff personnel within academic departments. The administrative costs of Dean's offices are identified by the accounting system. In order to identify the administrative costs of academic departments, excluding faculty, we utilize the "Direct Charge Equivalent" methodology in the MAXIMUS CRIS F&A system to apportion an equitable amount of staff support costs as well as a portion of non-salary current expenses to the Departmental Administration cost pool. The costs associated with the administrative activities of faculty and other professional academic staff are covered by a standard allowance of 3.6% of modified total direct costs specified in Appendix III section B.6.a(2) of the Uniform Guidance.

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Allocation Base Code

Capital Improvements to Land: Depreciation expense of capitalized additions that cannot be assigned to a specific activity are allocated to user categories of students and employees on a FTE basis. The student category is assigned to the instruction function. The employee category is allocated to the major functions on a salary and wage basis.

Operation and Maintenance Expenses: The University Office of Facilities and Real Estate Services assigns utility costs to individual buildings based on metered usage. Housekeeping costs are charged to individual buildings based on the cost of assigned housekeepers. Maintenance costs are assigned to buildings based on the cost of the services and materials provided as necessary. The total of these costs are then allocated to the functions in each building based on the net square feet occupied by function. The non- building specific costs such as maintenance of the campus grounds and the management and administration of the facility department are allocated to all functions based on the ratio of total net square feet occupied.

Library: Library costs are allocated based on the standard method prescribed in Appendix III section B.8 of the Uniform Guidance which uses a combination of full-time-equivalent student and employee data and salary data in a multi-step allocation process.

Student Administration and Services: This indirect cost pool is allocated entirely to the instruction function in accordance with the standard allocation base prescribed in Appendix III section B.9 of the Uniform Guidance.

3.2.0. Service Centers. Service Centers are departments or functional units which *REVISED* 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 200.468 of the Uniform Guidance. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter "Z" in Column 1, if not applicable).

	(1)	(2)	(3)	(4)	(5)	(6)
(a) Scientific Computer Operations	<u>A</u>	<u>C</u>	<u>C</u>	<u>A</u>	<u>B</u>	<u>B</u>
(b) Business Data Processing	<u>C</u>	<u>C</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>C</u>
(c) Animal Care Facilities	<u>A</u>	<u>C</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>

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(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).

<u>Cell Center</u>	<u>A</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
<u>MRI Service Center</u>	<u>A</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
<u>Telecommunications</u>	<u>C</u>	<u>B</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>C</u>
<u>Postage and Mail Service</u>	<u>C</u>	<u>B</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>C</u>
<u>Chemistry Stockroom</u>	<u>A</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
<u>DNA Sequencing</u>	<u>A</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
<u>Animal Models Core</u>	<u>A</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
<u>Vector Core</u>	<u>A</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
<u>Human Applications Lab</u>	<u>A</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
<u>Vet Canine Facility</u>	<u>A</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>

- (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).

Continuation

Cell Center. The Cell Center charges all users the same rates for services provided except investigators in the University of Pennsylvania Cancer Center and Diabetes Center. These centers receive funding from the National Institutes of Health for direct support of the Cell Center, therefore, charges to investigators in these centers are discounted commensurate with the support received.

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MRI Service Center. The MRI Service Center in the Department of Radiology charges a premium fee to awards received from pharmaceutical companies. All other users of their services are charged the same rate for services.

Space costs associated with specialized service facilities will be assigned to the specialized facility and excluded from the research F&A calculation with the exception of animal care space classified as research space in accordance with DHHS Action Transmittal dated November 15, 1999.

3.3.1. Indirect Cost Pools and Allocation Bases

REVISED (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>Codes</u>	<u>Allocation Base</u>
A. Instruction	
<u> X </u> On Campus	<u> D </u>
<u> X </u> Off Campus	<u> D </u>
<u> </u> Other	<u> </u>
B. Organized Research	
<u> X </u> On Campus	<u> D </u>
<u> X </u> Off Campus	<u> D </u>
<u> </u> Other	<u> </u>
C. Other Sponsored Activities	
<u> X </u> On Campus	<u> D </u>
<u> X </u> Off Campus	<u> D </u>
<u> </u> Other	<u> </u>
D. Other Institutional Activities <u>1/</u>	

3.4.0. Composition of Indirect Cost Pools. (For each pool identified under Items 3.1.0. and *REVISED* 3.2.0., describe on a Continuation Sheet the major organizational components,

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subgroupings of expenses and elements of cost included).

1/ Describe on a continuation Sheet.

Continuation

Building Depreciation. Included in this cost pool is the depreciation expense of the capitalized value of buildings and building service equipment calculated on a straight line basis.

Equipment Depreciation. This cost pool includes depreciation expense of the capitalized value of fixed and movable equipment calculated on a straight line basis.

Capital Improvements to Land. Refer to Section 3.1.0. above.

Interest Expense. The cost included in this indirect cost pool is the interest expense on external borrowed capital for buildings, building renovations and equipment.

Operation and Maintenance. This cost pool includes the salary and benefit costs for the administration, management, supervision and staff of the personnel responsible for the maintenance, operation, preservation and protection of the University's buildings and grounds, as well as all necessary materials and supplies and an allocated share of building and equipment depreciation and interest expense. Also included are all utility costs and the maintenance of the utility distribution systems and equipment, the Safety Office, janitorial services, insurance, interest expense, hazardous waste removal, radiation safety, environmental health and safety, the Facilities Planning Office, construction management, facility rental, university police and network security.

General and Administrative Expenses. This cost pool is comprised of departments or expenses identified in the University's financial accounting system as general administration or general expense in accordance with generally accepted accounting principles for colleges or universities. The costs include salaries and benefit expenses, materials, supplies and travel expenses of university senior management, Budget and Planning offices, General Counsel, Treasurer, Comptroller, Finance, Purchasing and Business Services, Information Systems and Computing, Human Resources, Internal Audit, Archives and Records Management, communications costs, professional fees, bank fees, mail service, business services, etc. as well as an allocated share of depreciation expense, operation and maintenance expenses and interest expenses.

Departmental Administration (DA). The University is divided into twelve schools and centers. The schools are the School of Arts and Sciences, Nursing School, Wharton School (business), the School of Engineering and Applied Science, Annenberg School for Communication, Graduate School of Education, Graduate School of Design, School of Social Policy & Practice, School of Dental Medicine, Perelman School of Medicine, Law School and the School of Veterinary Medicine. In addition to the twelve schools there is the University Museum of Anthropology and Archeology, Morris Arboretum and the Institute of Contemporary Art. The larger schools are subdivided into academic departments

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organized according to academic discipline, while some of the smaller schools, institutes and centers, are operated as a single organizational entity.

The schools are managed by Deans, the academic departments by Department Chairs and the institutes and centers by Directors. Each of the schools performs the missions of instruction, departmental and sponsored research. There are also many other smaller institutes and centers within the twelve schools which are organized primarily for the conduct of sponsored research. The expenses included in the DA cost pool are those that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives. The costs include a portion of the salary and benefits expenses as well as a portion of the operating expenses of Dean's and Director's offices related to the management and administration of schools and centers and a portion of the salaries, benefits and operating expenses of faculty and administrative and support staff within each academic department, center or institute where sponsored programs are conducted. Salary expense incurred in academic departments for the administrative work of faculty and other professional academic staff is included at the 3.6% fixed rate allowed in Appendix III section 6.2(a) of the Uniform Guidance. The remaining departmental support costs includes the salaries and fringe benefits of administrative and clerical staff, travel costs, office supplies, computer accessories and software, outside services, rental costs, temporary personnel services, printing and duplication, postage, express mail, telephone costs, etc. associated with administrative activities. The non-labor portion of departmental administration expenses is accumulated through an analysis of departmental general fund accounts, and the application of a "Direct Charge Equivalent" (DCE) to the administrative salaries identified through the personnel activity reporting system to determine the amount of departmental operating expenses associated with administrative activities. Many of the same type of costs are charged directly to sponsored programs but incurred for a different purpose. The cost pool also includes a share of depreciation expense of building and equipment, interest expense, operation and maintenance expenses, and general and administrative expenses.

Library. The expenses in this pool include the salary and benefit expenses of professional, clerical and hourly paid employees, supplies, cataloging fees and all other current expenses, including knowledge and information costs in various media, e.g. books, compact disks, periodicals, computer tapes, etc., and binding and preservation costs of each library within the University library system. Also included are the allocation of depreciation expenses of buildings and equipment, interest expense, operation and maintenance expenses, and general administrative expenses.

Sponsored Projects Administration. This indirect cost pool includes the salary, benefits and current operating expenses of the University departments and offices listed below which were organized in order to support sponsored programs:

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The Office of Research Services, which has responsibility for both preaward and post award administrative activities, including proposal approval and submission to sponsors, sponsor liaison and award negotiation, as well as the accounting, invoicing and financial reporting functions.

The Center for Technology Transfer, which is responsible for the protection of intellectual property rights of sponsors, negotiating corporate awards, patents and licensing and technology transfer.

The Office of the Vice Provost for Research, which is responsible for research policy issues and faculty support.

University Laboratory Animal Resources (ULAR), which is responsible for the issuance and enforcement of policies and procedures related to animal use as well as the administration, management, procurement and accounting for all animal care expenses of the University. The costs included in the SPA pool are those related to compliance with issues of animal care and use laws and regulations.

Institutional Animal Care and Use Committee is responsible for making sure that all federal laws, regulations, and policies are followed by those who are using animals for research, teaching, or testing.

The Vice Dean for Research at the School of Medicine, the Sponsored Programs Office at the School of Medicine, which provide support to faculty engaged in research in the School of Medicine.

In addition to the costs of the offices and departments listed above, this cost pool also includes an allocated share of depreciation expenses of buildings and equipment,

Student Services Administration. The costs included in this cost pool are the salaries, benefits and current operating expenses incurred in those departments and office organized for the purpose of the administration of students affairs and to provide services to student's in accordance with Appendix III section B.9.a of the Uniform Guidance. The cost pool also includes an allocation of building and equipment depreciation, interest expense, operation and maintenance expenses, and general and administrative expenses.

3.5.0. Composition of Allocation Bases. For each allocation base code used in Items *REVISED* 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

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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.

Continuation

L. Square Footage. We utilize a TRIRIGA system to maintain detailed space information for all University buildings. The information includes the architectural design of each room, the department or unit occupying the space, the square footage and the program occupying the space. Space related costs (depreciation, O&M, interest expense) are allocated to all functions occupying the space (e.g. organized research, instruction, etc.) based on the net square footage occupied by each function, excluding building service and common area space, on a building by building basis. Functional usage is determined on a room by room basis through a periodic space inventory and functional use survey.

Y. Other. The costs included in this category are allocated to user categories of students and employees on a full time equivalent basis in accordance with Appendix III section B.2.b(4) of the Uniform Guidance.

P. More Than One Base.

Operation & Maintenance. As noted in 3.1.0., utility costs, maintenance costs and housekeeping costs are allocated to individual buildings based on metered usage and services provided. Those costs are then allocated to the individual functions in each building based on the net square footage occupied as described in L. above. The O&M costs not assignable to specific buildings are allocated to all functions of the institution based on the percentage of net square feet occupied by each function.

Library. As noted in 3.1.0., costs included in this expense pool are allocated based on the standard method in Appendix III section B.8 of the Uniform Guidance, which uses a combination of full time equivalent student and employee data and salary data in a multi-step allocation process.

C. Modified Total Cost Basis (MTC). The base includes salary expense charged to each direct and indirect function to which the General and Administrative (G&A) cost pool is allocated as well as the cost shared salaries on sponsored projects, applicable fringe benefits expenses, travel costs, materials and supplies and the first \$25,000 of each subcontract. Excluded from the base are equipment items (cost in excess of \$5,000), that portion of each subcontract in excess of \$25,000, hospitalization and other fees associated with patient care, rental/maintenance of off-site activities, tuition remission, stipends, scholarships and fellowships, and alterations and renovations. The G&A cost pool is allocated to all of the major functions of the institution as well as the following indirect cost pools: DA, Library, Instruction Administration, Sponsored Projects Administration and Student Services.

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**Part III: Indirect Costs
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D. Modified Total Direct Cost (MTDC). The MTDC base for the allocation of Departmental Administration (DA) and Sponsored Projects Administration (SPA) consists of the same cost elements as included in the Modified Total Costs base described above. As stipulated Appendix III section B.6.c of the Uniform Guidance, the administrative expenses of deans' offices are allocated to the academic departments and other units within that school. The administrative expenses of each department, plus the departments' share of the dean's office costs, are allocated to the direct functions within that department. Sponsored Projects Administration is allocated based on the MTDC of the sponsored projects within each major function of the institution.

A. Direct Allocation. As noted in 3.1.0., the Student Administration and Services indirect cost pool is allocated entirely to the instruction function in accordance with the standard base in Appendix III section B.9.b of the Uniform Guidance.

Final Distribution Base

The final distribution base (i.e. the base used to allocate the accumulated indirect costs of each major function to sponsored agreements within that function) is also MTDC and consists of the same cost elements as the base for allocating the administrative cost pools noted above.

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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**Part IV: Depreciation and Use Allowances
UNIVERSITY OF PENNSYLVANIA**

Part IV

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 Residual</u>	<u>Useful Life</u>	<u>Property Unit</u>	<u>Life</u>
	<u>Method</u>	<u>Life</u>	<u>Unit</u>	<u>Life</u>
(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>B</u>	<u>B</u>
(d) Leasehold Improvements	<u>A</u>	<u>C</u>	<u>B</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> </u>	<u> </u>	<u> </u>	<u> </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>	<u> </u>	<u> </u>	<u> </u>

- Column (1) – Depreciation Method Code
- A. Straight Line
 - B. Expensed at Acquisition
 - C. Use Allowance
 - D. 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 services 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.

- Column (4) – Residual Value Code
- A. Residual Value is deducted
 - B. Residual Value is not deducted
 - C. Other or more than one method 1/

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**Part IV: Depreciation and Use Allowances
UNIVERSITY OF PENNSYLVANIA**

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. X Yes
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 charges on a continuation sheet).

- A. Yes
B. X No

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. X Excluded from determination of sponsored agreement 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
D. Not accounted for separately, but reflected in the depreciation reserve
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 numbers of years for each category or subcategory of assets involved which differs from those for the majority of assets).

Equipment Acquisition

- A. Minimum Dollar Amount \$5,000.00
B. Minimum Life Years 2 Years

Continuation

Building Improvements: Significant alterations or renovation that cost in excess of \$100,000 or represent more than 20% of the net book value of the building.

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 1/
B. X No

1/ Describe on a Continuation Sheet

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**Part V: Other Costs and Credits
UNIVERSITY OF PENNSYLVANIA**

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. X Cash
B. Accrual 1/

5.2.0 Applicable Credits. 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).

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

Continuation

Purchase discounts and insurance refunds are offset against the specific direct or indirect costs to which they relate. Library fees and fines are utilized by the library as additional resources for operational purposes and are not used to off-set expenses incurred.

1/ Describe on a Continuation Sheet.

Cost Accounting Standards Board Part VI: Deferred Compensation & Insurance Costs
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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 government 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, 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).

6.1.0. Pension Plans.

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

<u>Plans</u>	<u>Type of Plan</u>	<u>Number of</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> 1 </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).

REVISED

1/ Describe on a Continuation Sheet.

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Continuation

Defined Benefit Pension Plan

Plan Name	Retirement Allowance Plan of the University of Pennsylvania.
Actuarial cost method	Projected Unit Credit Cost Method.
Asset valuation method	Fair value of plan assets as of the valuation date as determined by the Trustee.
Criteria for changing actuarial assumptions and computation	Actuarial assumptions and computations are selected by the University of Pennsylvania, with the concurrence of the Plan Actuary. Each significant assumption used reflects the best estimate solely with respect to that assumption. Assumptions are reviewed annually and modified if economic and demographic conditions warrant modification.
Amortization period for prior service costs	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 at the time of the plan amendment.
Amortization period for actuarial gains and losses	Any unrecognized gain or loss in excess of 10% of the greater of the plan's projected benefit obligation or fair value of plan assets is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan.
Funding policy	Contributions are made to the plan sufficient to meet minimum funding requirements established under ERISA and the Internal Revenue Code. Contributions do not exceed the maximum tax deductible limits established under Internal Revenue Code Section 404.

6.2.0. Post Retirement Benefits Other Than Pensions (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).

Z. [] Not Applicable

Continuation

The University of Pennsylvania has one PRB plan for University employees whose costs are charged to Federally Sponsored Agreements. The University plan is "The

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Trustees of the University of Pennsylvania Retiree Medical and Death Benefits Trust" and coverage extends to approximately 7,200 faculty, non-union staff, union employees and retirees and their spouses, except that spouses do not receive life insurance benefits.

6.2.1. Determination of Annual PRB Costs. (On a continuation sheet indicated *REVISED* 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).

Continuation

Determination of Annual PRB Costs (accrual basis of accounting)

Plan Name	The Trustees of the University of Pennsylvania Retiree Medical and Death Benefits Trust.
Actuarial cost method	Projected Unit Credit Cost Method
Asset valuation method	Fair value of plan assets as of the valuation date as determined by the Trustees.
Criteria for changing the actuarial assumptions and computations	Actuarial assumptions and computations are selected by University of Pennsylvania with the concurrence of the plan's enrolled actuary. Each significant assumption used reflects the best estimate solely with respect to that assumption. Assumptions are reviewed annually and modified if economic and demographic conditions warrant modification.
Amortization period for prior service costs	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 at the time of the plan amendment.
Amortization period for actuarial gains and losses	Any unrecognized gain or loss in excess of 10% of the greater of the plan's projected benefit obligation or fair value of plan assets is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan.
Funding policy	Contributions are made such that the sum of such contributions plus the cost of pay-as-you-go funding approximates the accrual charge.

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6.3.0. Self-Insurance Programs (Employee Group Insurance). Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives. (Mark one).

- A. _____ When accrued (book accrual only)
- B. _____ When contributions are made to a nonforfeitable fund
- C. _____ When contributions are made to a forfeitable fund
- D. _____ When the benefits are paid to an employee
- E. _____ When amounts are paid to an employee welfare plan
- Y. X Other or more than one method 1/
- Z. _____ Not applicable

Continuation

The costs of Employee Group Insurance are included in our fringe benefit expense pool and charged to federal programs as part of the fringe benefit expense rate which is approved by the Department of Health and Human Services. Expenses for the group life, disability, unemployment and medical plans are charged to the fringe benefit expense pool when paid, except for an accrual at fiscal year end to record expenses for the current fiscal period that will be paid in the subsequent fiscal year. The accrual is adjusted in the subsequent fiscal year to reflect the actual expenses paid.

6.4.0 Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance).

6.4.1. Worker's Compensation and Liability. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives. (Mark one).

- A. _____ When claims are paid or losses are incurred (no provision for reserves)
- B. _____ When provisions for reserves are recorded based on the present value
- C. _____ When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability
- D. _____ When funds are set aside or contributions are made to a fund
- E. X Other or more than one method 1/
- F. _____ Not applicable

1/ Describe on a Continuation Sheet.

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Continuation

The costs of worker's compensation claims are included in the employee fringe benefits expense pool when paid and are charged to federal programs as part of the approved fringe benefit expense rate. An accrual is made at the end of the fiscal year to adjust the reserve for worker's compensation claims. The accrued expense is recorded as a university general expense and charged to federal programs as part of the negotiated indirect cost rate. The accrual is adjusted in the subsequent fiscal year to reflect actual expenses paid.

The costs of the general liability and casualty insurance programs consist of a self insurance, or retention of claims portion of the program, and premium payments for coverage of claims in excess of the self insured limits. The costs of claims paid, premium expenses, and the adjustment to the reserve account for claims expenses are recorded as a general expense and charged to federal programs as part of the negotiated indirect cost rate.

- 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 loses 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 indestructibles.
 - D. Loses are charged to fund balance with no charge to contracts and grants (no provision for reserves)
 - Y. Other or more than one method 1/
 - Z. Not applicable

Continuation

See 6.4.1. above.

1/ Describe on a Continuation Sheet.

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**Part VII: Central System or Group Expenses
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NOT 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.

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.

7.2.1. Cost Accumulation and Allocation

On a continuation sheet, provide a description of:

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