

FACT: #2 F&A COST REIMBURSEMENT IS NEITHER PROFIT NOR A TAX

Myths

Myth #2a: F&A includes actual costs plus a profit

Myth #2b: F&A is based on market factors

Myth #2c: F&A charges subsidize unrelated activities such as education, entertaining, or athletics

Facts

Federally negotiated F&A cost rates are based on actual allowable costs as defined in OMB Uniform Guidance. Profit is unallowable under these cost principles and cannot be charged.

F&A cost rates are based on actual expenses as reported in audited annual financial statements, which are reviewed and approved by a cognizant federal agency.

F&A cost rate charges reflect research-related costs only and rate calculations are prohibited from including any other expenses.