

MICA FUNDED PROJECTS - COSTING PRINCIPLES

Activities related to carrying out/ undertaking the project as outlined below:

1. Industrial research, including activities related to the discovery of new knowledge that aim to support the development of new technology-driven products, processes or services: and
2. Large-scale technology demonstration, including the advancement and development of new technologies into product-specific applications at mid-to-late stage technology readiness levels.

In-kind contributions are not eligible for matching purposes and leveraging MICA funding. However, it is recognized that in-kind contributions are an important part of every project and the information will be collected and reported on with progress reporting of the Project.

Eligible Expenses & Cost Categories

Eligible expenses are incremental expenses directly related to carrying out/ undertaking the project and must be in direct relation to Eligible Cost Activities previously mentioned. Costs incurred must be within the definition of Eligible Expenses as outlined below:

A. Direct Labour:

The portion of gross wages or salaries incurred and paid by the Ultimate Recipients for eligible activities which can be specifically identified and measured as having been performed for the Technical Activities and which is so identified and measured consistently by the Ultimate Recipients' cost accounting system. The cost accounting system should sufficiently prove the hours worked by employees are directly related to the Eligible Cost Activities. (Note: These are salaries or wages that are directly involved in the technical activities and it is not expected that it will include executive level salaries)

B. Subcontractors and Consultants:

Costs of subcontracts or consultants incurred and paid are the costs for work or services performed by an external third party, which can be specifically identified and measured as having been incurred and paid for Eligible Activities. Ultimate Recipients cannot be a Recipient and a Subcontractor in the same Network or on the same Eligible Project.

C. Direct Materials:

The costs of materials which are incurred and paid and can be specifically identified and measured as having been processed, manufactured and used in the performance of Eligible Activities, which are measured consistently by the Ultimate Recipients' cost accounting system.

- i. Materials purchased solely for the Eligible Activities shall be at the net laid down cost to the Ultimate Recipients, net of any sale taxes and after any discounts offered by suppliers.
- ii. Materials issued from the Ultimate Recipients' general stocks shall be measured in accordance with the material pricing method consistently used by the Ultimate Recipients.

Direct materials include, but are not limited to, items such as circuit boards, cables, and metals, essentially any raw material that is “used up” by completing Eligible Activities.

D. Equipment:

The capital cost of equipment which are incurred and paid and can be specifically identified as having been purchased for Eligible Activities and measured consistently by the Ultimate Recipients’ costing system.

- i. If a Recipient has built the equipment themselves, the costs would be allocated to the appropriate cost categories (Direct Material, Direct Labour, etc.)
- ii. If a Recipient has equipment built by a third party, the costs would be allocated to the Equipment category if readily identifiable, otherwise the equipment could be reported in the Subcontractors category; and
- iii. If a Recipient outright purchases a piece of equipment, the costs would be allocated to the Equipment category.

Equipment costs included but are not limited to, the purchase of equipment necessary for the Eligible activities, costs to alter or modernize the equipment, costs to get the equipment into working order and shipping costs.

Capital equipment acquired under the Agreement may be subject to the Minister’s approval for disposal under certain conditions (e.g. more than \$100,000).

E. Land, Building and Building Improvements:

Meaning the capital cost of land, buildings or building improvements that are incurred and paid, and are necessary to carry out Eligible Activities and have been approved by the Minister. Eligible building costs may include the acquisition costs, construction of new or the expansion of existing facilities, the development of testing facilities, investments in modern buildings, building and land leases (the incremental cost of leasing land during the Work Phase of the Eligible Activities) and permanent building improvement.

- i. If a Recipient has built the facility themselves, the costs would be allocated to the appropriate cost categories (direct Material, Direct Labour etc.)
- ii. If a Recipient has a facility built by a third party, the costs would be allocated to the Subcontractors category, and
- iii. If a Recipient outright purchases an already existing building, the costs would be allocated to the building category

F. Other Direct Costs

Eligible direct costs, not falling within the categories of direct costs previously mentioned, but which are incurred and paid, and can be specifically identified and measured as having been incurred and paid by the Ultimate Recipients for the Eligible Activities and which are so identified and measured consistently by the Ultimate Recipients’ costing system.

G. Travel and Outreach Costs

Eligible direct costs incurred and paid by the Recipient that are directly related to Eligible Activities. Travel expenses shall be appropriate, economical, reasonable and available to most of the employees of the Ultimate Recipients. Travel costs can be claimed, to the maximum allowance, as per the conditions in the national joint council directive or treasury board policies.

*****Cost of items must be net of refundable taxes.**

Indirect Costs (Overhead)

Costs which, though necessarily having been incurred and paid by the Ultimate Recipients for the conduct of the business in general, cannot be identified and measured as directly applicable to the carrying out of the Eligible Activities included.

- a. Indirect materials and supplies including, but not limited to, supplies of low-value, high-usage and consumable items (e.g. safety supplies) which meet the definition of Direct Material costs but for which it is commercially unreasonable, in the context of the Eligible Activities, to account for their costs in the manner prescribed for Direct Costs. Costs such as stationery, office supplies.
- b. Indirect labour, network management and administrative support, including but not limited to the remuneration of executive and corporate officers, general office wages and salaries, clerical expenses, HR, accounting/finance staff, overtime, premiums, bonuses, all types of benefits paid by employer (CPP, EI).

Administration costs spent on the following activities are considered Indirect Costs:

- i. Review and approval of documents,
- ii. Oversight,
- iii. Quality review,
- iv. Strategic guidance,
- v. Participation in all-staff meetings,
- vi. Professional development,
- vii. Performance reviews and any costs associated with interactions with government including application,
- viii. Claims,
- ix. Amendment, and
- x. Audit and reporting communications

Notwithstanding the above, indirect costs will not include those direct labour costs described above.

- c. Indirect building costs including, but not limited to, snowplowing costs, public utilities expenses, power, HVAC, lighting, and the operation and maintenance of general assets and facilities;
- d. Expenses such as property taxes, rentals of equipment and building (not covered as direct cost) and depreciation costs;
- e. Indirect equipment costs including, but not limited to, maintenance cost of assets, office equipment, office furniture etc.; and
- f. Other indirect costs including, but not limited to, daily commutes, unreasonable modes of transportation, general software and licenses and travel insurance.

Indirect Costs (Overhead) thresholds of 55% on eligible Direct Labour, and no more than 15% of total Eligible Supported Costs will apply for each Ultimate Recipient (and for each individual Eligible Project if more than one Eligible Project is selected for a Ultimate Recipient)

Ineligible Costs

Costs incurred and paid by the Ultimate Recipients are not eligible for MICA Contribution, regardless of whether they are reasonably and properly incurred and paid in the carrying out of the Eligible Activities.

- a. Any form of interest paid or payable on invested capital, bonds, debentures, bank or other loans together with related bond discounts and finance charges; the interest portion of the lease cost that is attributable to cost of borrowing regardless of types of lease;
- b. Legal, accounting and consulting fees in connection with financial reorganizations (incl set up of new a not-for-profit), security issues, capital stock issues, obtaining licenses, establishment and management of agreements with Ultimate Recipients and prosecution of claims against the Minister. Such legal costs associated with developing the agreement template and in connection with obtaining patents or other statutory protection for Network intellectual property are considered eligible;
- c. Losses on investments, bad debts and expenses for collection charges;
- d. Losses on other projects or contracts;
- e. Federal and provincial income taxes, GST, value added taxes, excess profit taxes or surtaxes and/or special expenses in connection with those taxes, except duty taxes paid for importing is eligible cost;
- f. Provisions for contingencies;
- g. Premiums for life insurance on the lives of officers and/or directors where proceeds accrue to the Recipient;
- h. Amortization of unrealized appreciation of assets;
- i. Depreciation of assets paid for by the Minister;
- j. Fines and penalties;
- k. Expenses and depreciation of excess facilities;
- l. Unreasonable compensation for officers and employees;
- m. Product development or improvement expenses not associated with the work being performed under the Network;
- n. Advertising, except reasonable advertising of an industrial or institutional character placed in trade, technical or professional journals for the dissemination of information for the industry or institution;
- o. Entertainment expenses (including but not limited to; catering, alcohol non-travel expenses);
- p. Donations;
- q. Dues and other memberships other than regular trade and professional associations;
- r. Extraordinary or abnormal fees for professional advice in regard to technical, administrative or accounting matters unless approval from the Minister is obtained;
- s. Selling and marketing expenses associated with the products or services or both being developed under the Agreement;
- t. In-kind costs; and
- u. Recruiting fees, unless approval from the Minister is obtained.