Policy Summary

Cost Sharing Policy

POLICY PURPOSE

This policy provides a fair, transparent, and efficient framework for sharing costs across FAITH's multiple donor-funded projects — costs essential to the organization's smooth functioning but not tied to a single project.

4 Core principles of cost sharing	**5** Types of cost-share contributions	**6 yrs** Minimum retention of supporting documentation	**2025** Policy year

About this Policy

As FAITH undertakes diverse projects funded by different donors, this policy institutionalizes a fair and efficient system for sharing costs — such as HR and administrative expenses — that support the organization but aren't tied to a single project. It ensures responsible use of donor funds, equitable distribution of overhead based on benefit received, realistic project budgets, and clear accountability to donors and government agencies.

Key Definitions

- **Matching Fund or Contribution —** the portion of project costs not funded by the donor but contributed by FAITH or third parties, in cash, goods, or services, meeting donor requirements.
- **HR and Administrative Costs —** operational expenses such as admin/finance/HR salaries, rent and utilities, shared equipment, and legal, audit, and software costs.
- **Direct Costs —** costs clearly attributable to a specific project, such as project staff salaries or exclusive office use.
- **Indirect Costs —** shared costs supporting overall operations that cannot be attributed to a single project.

Core Principles

Principle	What it Means
Equitable Allocation	Costs are allocated based on actual use or benefit to each project, so no project unfairly subsidizes another.
Transparency	The allocation methodology is clearly documented and accessible to staff, project leads, donors, and auditors.
Operational Efficiency	The cost-sharing mechanism should enhance effectiveness, reduce administrative burden, and avoid duplication of roles.
Donor Compliance	Allocations respect donor-imposed limits on indirect costs and obtain prior approval where required.

Matching Fund or Contribution

Some donors require a minimum contribution — typically 10% — as a condition for grant eligibility. FAITH meets this through funding from other donors, staff or volunteer time, or use of its facilities. Every contribution is documented, auditable, and donor-compliant, supported by donation letters, timesheets, invoices, or independent appraisals as appropriate.

Contribution Type	Description
Donated Employee Time	Additional hours contributed by salaried staff without extra pay, supported by timesheets.
Volunteer Services	Professional, technical, or skilled/unskilled labor from project volunteers or partner-organization staff.
Donated Supplies	Office materials, workshop tools, software, equipment, or utilities, valued using bills, receipts, or donor letters.
Cash Contributions	Funds from co-financing donors or independently raised by FAITH, traceable through official records.
Donated Equipment, Buildings, or Land	Donations or temporary use of facilities, valued at fair market or rental value, supported by a donor letter and appraisal where needed.

Cost Allocation Methodology

A mixed-method approach, approved by the Executive Director and conducted by the Finance Department, is used depending on the nature of the project, data availability, and donor guidelines.

Cost Type	How it's Allocated
Direct Costs	Costs clearly attributable to one project — dedicated staff salaries, project-specific supplies, travel, and exclusive office space — billed directly to that project's budget.
Indirect Costs (Budget Proportion)	Shared costs allocated based on each project's percentage share of FAITH's total annual project budget.
Indirect Costs (Time-Based)	Shared HR, admin, and office costs pooled monthly and divided equally among projects active that month, calculated as monthly shared cost × months active.
Donor-Capped Costs	Where a donor caps indirect costs (e.g., 7%), FAITH respects that ceiling and allocates any residual to other eligible funding sources.

Budgeting, Reporting, and Dispute Resolution

- **Annual Planning —** the Finance Department reviews the previous three years' indirect costs, calculates a rolling average, and sets each project's allocation percentage.
- **Mid-Year Adjustment —** allocations are recalculated when there are major shifts in project budgets, staffing, or office space.
- **Financial Reporting —** the Finance Department maintains all cost-sharing records and audit trails, retains documentation for at least six years, and prepares quarterly cost-sharing statements for the Executive Director, donors, and government bodies.
- **Dispute Resolution —** disagreements on cost allocation are reviewed and resolved by the Executive Director and Finance Department, with final decisions documented and shared with stakeholders.

Review and Compliance

The policy undergoes a formal review at the end of each fiscal year, assessing relevance, feedback from project teams and donors, audit recommendations, and any changes to FAITH's operational model. Revisions are proposed by the Finance Department and approved by the Executive Director and Board.

Compliance with this policy is mandatory for all departments and projects. The Finance Department conducts periodic checks, and non-compliance may result in cost reallocation, disciplinary measures, or donor notification as required.

This summary is published by FAITH for transparency and accountability. It is a condensed presentation of the internal Cost Sharing Policy 2025; in case of any discrepancy, the full internal policy document — including worked examples and the budget calculation annexes — prevails and is available on request.