



Indirect Cost

I. Overall Philosophy:

- We believe in maximizing program support AND supporting reasonable administrative costs to back up that support via an indirect cost allowance.
- Every organization is different and there's no single formula that works to capture the administrative costs of all organizations and all programs.
- We, like many other foundations who believe in supporting grantee administrative costs, set a maximum rate that caps the amount an applicant institution can charge for indirect cost support. It may not be the same as what the U.S. Government or other entities provide. We do not assume that this rate always is identical to individual grantees' own methodologies for calculating indirect costs. We recognize that in many cases our grantees need to raise other funds, cost share between projects, or tap into unrestricted funds to provide adequate administrative support for their programs.
- Because our policy sets an upper limit on the rate, there are a variety of situations in which our indirect cost rate needs to be less than the cap and those are mentioned below.

II. Definition: Margaret A. Cargill Philanthropies (MACP) defines indirect costs as:

- Ongoing operational costs incurred by the applicant organization on behalf of the organization's activities and projects, but that are not easily identified with any specific project.
- Administrative or other expenses which are not directly allocable to a particular activity or project.
- Expenses related to general operations of an organization that are shared among projects and/or functions.
- Basic examples include executive oversight, existing facilities costs, accounting, grants management, legal expenses, utilities, and technology support. To further aid the interpretation of this definition, the Foundation has provided examples which are included in the INDIRECT COST POLICY APPENDIX. Costs that are administrative in nature but are specifically allocable to a project may be considered to be an eligible direct project cost in some circumstances.

Maximum Indirect Cost Rates:

- Indirect cost rates for grants are subject to a 15% maximum rate on eligible direct project costs. Exceptions to this rate include the following:
 - Capital and equipment costs are not eligible for the 15% indirect cost rate.
 - Sub-grants are subject to a 10% maximum indirect cost rate. For purposes of this policy, sub-grants are not intended to include re-grants to an affiliated organization under common control or with common management and administration as the grantee (e.g. separate legal entities within a university system, country affiliate office of international entity, etc.).
 - Rates and limitations apply to both the primary applicant organization and any sub-grantees and sub-contractors. Indirect costs awarded by a primary grantee to a sub-grantee should be subject to a 15% maximum rate. See example below.

- The rates provided above are the *maximum* rates allowed under MACP's policy. A grantee or contractor with an actual indirect cost rate lower than the maximum rate provided should *not* increase the funding request to the maximum allowed.
- In general, we would not anticipate funding indirect costs associated with projects that are otherwise considered administrative in nature (e.g. strategic planning or software). If a project's budget reduces the overall net indirect expenses of the grantee (including net indirect expenses attributable to grant budget), then a lower indirect cost rate may be warranted.
- Given the policy provides an 'UP TO' percentage amount, the indirect cost rate approved may be anywhere from 0% to 15% depending on the specific situation. For example:
 - **Example 1:** If the primary grantee is receiving grant funds that are largely sub-granted to another organization, MACP limits the indirect costs the primary grantee receives on the sub-granted funds to 10%.
 - **Example 2:** At the discretion of MACP, a large grant may be awarded a lower indirect cost rate to reflect reduced indirect expenses required to adequately manage a large grant's direct costs. Actual administrative and maintenance costs do not necessarily increase in direct proportion to grant funds.
 - See the following example for further clarification on the application of MACP's policy:

	Direct Costs	Maximum Indirect Cost Rate	Maximum Indirect Costs	Total Costs
Primary Grantee				
Direct Project Costs	\$ 30,000	15%	\$ 4,500	\$ 34,500
Subgrants		10%	\$ <u>11,500</u>	\$ <u>126,500</u>
Total Costs Primary Grantee	\$ 145,000		\$ 16,000	\$ 161,000
Effective indirect cost rate Primary Grantee			11%	
Total Project Costs	\$ 145,000		\$ 31,000	\$ 161,000
Total Indirect Costs (Primary Grantee & Sub-grantee)			\$ 31,000	
Total Direct Costs			\$ 130,000	
Effective indirect cost rate			24%	

Sub-grantee

Direct Costs	Maximum Indirect Cost Rate	Maximum Indirect Costs	Total Costs
\$ 100,000	15%	\$ 15,000	\$ 115,000

INDIRECT COST POLICY APPENDIX: Direct and Indirect Cost Examples

DIRECT COSTS

The following may be included as direct costs in grants if **DIRECTLY ATTRIBUTABLE TO THE PROJECT:**

- Salaries of employees
 - Can include Project Management
 - Can include specifically allocated administrative support, Legal or accounting functions, with distinct and measured effort on the project.
- Fringe benefits of project employees
- Project-related travel for project employees
- Consultants
- Supplies
- Sub-grants
- Sub-contracts

*The following may be included as direct costs in grants **ONLY if:***

- a) **The costs are DIRECTLY ATTRIBUTABLE TO THE PROJECT**
AND
- b) **The items associated with the costs are ACQUIRED SPECIFICALLY FOR THE PROJECT during the grant term**

- Equipment expenses [Note that costs of all existing equipment would represent indirect costs]
- Rented facilities used exclusively in the project
- Utilities for rented facilities used exclusively in the project
- Information technology equipment and support exclusively for the project

INDIRECT COSTS

- Existing facilities costs (e.g. rent, maintenance, etc.) such as:
 - Headquarters offices
 - Country/regional offices
- Utilities for existing facilities
- Existing information technology equipment and support (e.g. centralized IT systems, networks, etc.)
- Shared equipment purchases
- Existing equipment maintenance
- Depreciation on equipment
- Insurance
- Communications expenses (e.g. phones, etc.)
- Administrative office supplies
- General administrative support at both headquarters and country/regional levels:
 - Executive management (CEO, COO, CFO, etc.)
 - Executive administrators
 - General ledger and grants accounting not specific to the project
 - General financial management staff
 - Internal audit function
 - Institutional Legal support
 - Research management personnel
 - Information technology support staff
 - Facilities support personnel
 - Scientific support functions
 - Environmental health/safety personnel
 - Human resources
 - Library & information support
 - Shared procurement resources
 - General logistics support
 - Material management (e.g. tracking procurement, inventory management, shipping)
 - Other shared resources not directly attributable to the project

Note: MACP personnel are responsible for evaluating costs under this policy in order to assess and recommend appropriate indirect cost rates.