



Indirect Cost Policy and Guidance

Effective Date: February 2020

Philosophy

The LANL Foundation works to nurture our human potential and inspire excellence in education and learning in Northern New Mexico and supports strong and effective partner organizations to do the same. We believe that good stewardship means maximizing our resources, including grant funding and staff time, while building strong partnerships based on trust.

We aim to structure grants in a way that makes sense from a financial perspective while also funding partners for the cost of delivering results efficiently, supported by open and honest dialogue about the resources required. As grant proposals are developed, we try to gain a complete and accurate understanding of the total cost to execute the project efficiently and effectively. However, there may be circumstances when our views of direct and indirect costs may not align with those of our partners, including other funders.

Our expectation is that grantees' executive and board leadership are continually evaluating how to "right size" their organizations' overhead cost to operate efficiently and effectively.

We welcome partners to contact the foundation if they have questions about this policy. Our Grants team can help clarify appropriate treatment of costs under the foundation's policy.

Maximum Indirect Cost Rates

LANL Foundation's indirect cost rates for grants are subject to the following percentage limitations:

Pueblo/tribal partners:	Universities, Colleges, School Districts & Schools:	Non-profit Organizations:
Up to 20% rate	0% rate	Up to 15% rate

- The rates provided above are the *maximum* rates allowed under the LANL Foundation's policy. A grantee or contractor with an actual indirect cost rate *lower* than the maximum rate provided above should *not* increase the funding request to the maximum allowed. The intent is to sufficiently fund actual costs of the grant program, project or event.
- The indirect cost rate awarded in a grant budget may vary up to the maximum percentages depending on factors including, but not limited to, the type of project, level of administrative effort required, cost structure of the grantee, and overall grant size.

Definitions

The spirit of this policy is to pay for expenses that are directly attributable to project outcomes and outputs as direct costs and expenses associated with general running of the business as indirect costs. Greater specificity on each category is described below.

Direct Costs

Direct costs are the expenses required to execute a grant that are directly attributable and can be reasonably allocated to the project. Program staff salaries, travel expenses, materials, and consultants required to execute the grant are examples. Costs that would not be incurred if the grant did not exist are often indicative of direct costs.

Indirect Costs

Indirect costs are general overhead and administration expenses that support the entire operations of a grantee and that may be shared across projects. Examples include facilities expenses, e.g. rent, utilities, equipment for the grantee's headquarters, and associated information systems and support and administrative staff such as HR, general finance, accounting, IT, and legal. Expenses that would be incurred regardless of whether the grant is funded are often indicative of indirect costs. While these costs may not be directly attributable to a project, they are real and necessary to operate as an organization.

Indirect Cost Rate

Indirect Cost Rate = Budgeted Indirect Costs / Budgeted Total Costs (e.g. personnel, supplies, etc., minus the excluded line items as listed below)

The indirect cost rate proposed in the budget should not exceed the grantee's organizational rate (when defined by the same terms.)

Please see addendum for list of items to exclude from the IDC calculation.

LANL Foundation Indirect Cost Policy ADDENDUM

Please **exclude** the following items from an indirect cost calculation:

- **Consultants, contractors**
- **Equipment and capital expenditures**
- **Fee-for-service charges**
- **Fiscal sponsor fees**
- **Tuition**
- **Conference/registration fees**
- **Teacher stipends**

These categories of exclusions are explained below.

- **Consultants and contractors** - Because the grantee generally passes these types of direct costs directly to a third party, and because these costs often do not involve substantial material indirect costs, we exclude consultant, contractor and subgrantee costs from the calculation of the indirect cost allocation for the primary grantee.
The indirect costs charged to the primary grantee by consultants, contractors and subgrantees are generally incorporated into the line items for these expenses. However, the budgets and expenditures for consultants, contractors and subgrantees must abide by the same policy as for the primary grantee, including that they cannot exceed our policy's allowable IDC percentage.
- **Equipment and Capital Expenditures** - Because equipment and other capital expenditures can be large expenses without the commensurate need to expand the organization's overall support structure, an indirect cost allocation may not be taken on equipment and other capital expenditures.
- **Fee-for-Service Charges** - The grantee may not take an indirect cost allocation on fee-for-service expenses. We view these costs as similar to contractor fees where indirect costs are typically already embedded in the cost structure. Examples of fee-for-service charges include university core facilities charges and intramurally or extramurally performed specialized scientific analyses (nucleic acid/protein sequencing, mass spectrometry, etc.).
- **Fiscal Sponsor Fees** - Organizations whose main purpose is fiscal sponsorship often provide back office and administrative services to a primary grantee in exchange for a fee. In these cases, the grantee can include a fiscal sponsor fee in the project budget but may not take an indirect cost allocation on this fee. Additionally, if the fiscal sponsor fee is expressed as a percentage of direct costs, it is subject to the same exclusions cited for indirect cost allocation (e.g., it must exclude subcontractor expenses from direct costs).
- **Tuition** - We do not permit an indirect cost allocation on tuition, because the primary grantee generally passes these types of direct costs directly to a third party, and these costs often do not involve substantial material indirect costs.
- **Conference/registration fees** - We do not permit an indirect cost allocation on conference or registration fees, because the primary grantee generally passes these types of direct costs directly to a third party, fees vary widely, and these costs often do not involve substantial material indirect costs. Time that the grantee needs to administrate registration should be charged in direct staff/personnel time.
- **Teacher Stipends** - We do not permit an indirect cost allocation on teacher stipends, because stipends and volume vary from grant to grant, and these costs often do not involve substantial material indirect costs. Time that the grantee needs to administrate any financial accounting and/or check processing should be charged in direct staff/personnel time.

While the definitions above are general guidance for all grants, the requirements and activities of each project should be considered when determining direct and indirect costs. We review budget assumptions and cost categorizations on a grant by grant basis, and treatment of specific costs in one grant should not be considered precedent-setting for other grants.