Volunteers National Organization for Development and Humanities Services

منظمة المتطوعين الوطنية للتنمية والخدمات الإنسانية

(VOLUNTEERS)

Volunteers Indirect Cost Guidance

Volunteers Organization believe that good stewardship means maximizing our resources, including grant funding and staff time, while building strong partnerships based on trust.

Volunteers Organization 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.

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. Additional examples and detail are included in Annex A. 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 Direct Costs (e.g. personnel, sub-awards, supplies, equipment, etc.) Page 2 of 7 For external use IDC Policy and Guidance Revised IDC Policy February 2017 February 2017 The indirect cost rate proposed in the budget should not exceed the grantee's organizational rate (when defined by the same terms.) 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.

DO NOT COPY

Maximum Indirect Cost Rates

Maximum Indirect Cost Rates Indirect cost rates for grants are subject to the following limitations:



- The rates provided above are the maximum rates allowed under the 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, not to generate financial surpluses for grantees.
- • 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, overall grant size, and extent of sub-awards or commodity purchases.
- **Example 1:** A primary grantee will receive grant funds that will be largely sub-granted to other organizations. The foundation may limit indirect costs the primary grantee receives on the sub-granted funds depending on the level of effort required to manage the sub awards. The overall effective indirect cost rate awarded to the primary grantee may therefore be less than the maximum allowable rate.
- **Example 2:** A material portion of a project budget is allocated for commodity purchases. A lower overall effective indirect cost rate may be negotiated to remove commodity cost from the indirect cost calculation.
- **Example 3**: A NGO grantee has an organizational actual indirect cost rate of 8%, i.e., for every $1,000 in direct costs, it has $80 in indirect costs. Rather than defaulting to the maximum rate of 15% in the grant proposal, 8% should be proposed in the grant budget.
- Maximum Indirect Cost Rates and limitations apply to both the primary applicant organization and any sub-grantees. Each respective organization may receive indirect costs UP TO the rate applicable to their organization type.
- ***Example: If*** a local Organization is the primary grantee and has an international nonprofit organization sub-grantee, the local Organization is eligible to receive up to a 10% indirect cost rate, while the international organization is eligible to receive up to a 15% rate. Page 3 of 7 For external use IDC Policy and Guidance Revised IDC Policy.
- We seek consistency across funding mechanisms and thus we reserve the right to apply this philosophy and principles to contracts.
- For profit entities may propose indirect costs as a percentage from 0% up to 15% to the extent that adequate explanation of the cost is provided.
- We reserve the right to request substantiation of any grantee's indirect cost rate.

APPENDIX A:

DRAFT COPY

The following is a list of common direct and indirect costs. We recognize that there are categories of cost that can be considered either direct or indirect depending on grantee accounting practices and the nature of the cost relative to the project purpose.
It is the responsibility of grantees to submit proposal materials that allow us to understand the link between project outcomes and direct costs. We also expect that grant proposals speak to what is covered by the requested indirect cost rate**.**

	DIRECT COSTS: *The following may be included as direct costs if DIRECTLY ATTRIBUTABLE and REASONABLY ALLOCABLE to and specifically required to execute the project*	*INDIRECT COSTS:* *The following may be included as indirect costs if REASONABLY ALLOCABLE the project and not included as a direct cost*
Personnel	• *Salaries and wages of employees working directly on the project.* • *Fringe benefits of employees* *These costs should be substantiated by time keeping and/or an allocation methodology, and can include directly attributable and allocable project management and support, project legal or accounting functions (substantiated by timekeeping)*	*• Personnel cost of general management and administrative support personnel, such as executive management (CEO, COO, CFO, etc.) or central operational functions (Accounting, HR, IT, Legal, etc.)*
Travel	*• Travel expenses for trips directly needed to deliver the project*	*• Travel not directly related to the project*
Consultants	*• Contracted staff working directly on the project*	*• Contracted staff for general administrative functions, such as accounting or audits*

DO NOT COPY

Equipment	*• Costs for equipment directly used by the project (can include purchase/replacement, operation, maintenance; to be pro-rated in case of partial use)*	*• Costs for equipment or depreciation on equipment[1] incurred by central operational functions*
Other Direct Costs	• *Allocable facilities, utilities and communications expenses that are required to execute the project, such as field clinics, laboratories, project office costs* • *Project-specific supplies*	*• Costs for facilities, utilities and communications associated with central operational functions such as university headquarters, U.S. office of an international NGO, back office of a biotech firm*
Sub-awards	*• Grants or contracts with other organizations that directly contribute to the project outcomes*	*• Outsourced general operating activities, such as accounting, audits, IT support*

DO NOT COPY