INDIRECT COST POLICY

Policy
The Heising-Simons Foundation believes in funding the true cost of grantee’s work. Therefore, the Foundation does not employ a specific fixed minimum or maximum indirect cost rate for project support grants to non-universities. While we have observed that indirect costs typically comprise 15-30% of project budgets, dependent upon the unique purpose and structure of the work, we encourage an open dialogue between grantees and Program Officers to develop a shared understanding of each project’s true costs.

For grants to universities, we will accept an indirect cost rate up to 15% of the total direct costs.

Indirect Cost Policy by Organization Type:

- **U.S. nonprofit organizations**: We will either accept the indirect cost rate presented in a grantee’s proposal or discuss it further with them if we need to learn more. We do not set a fixed maximum or minimum allowable rate for cost recovery.

- **Universities**: We will presumptively accept an indirect cost rate of 15% of the direct costs.

- **Regranting organizations**: Grantees proposing regranting in their request should include an indirect cost rate appropriate to the effort required to execute their sub-granting. We strongly encourage these grantees to examine their own policies on indirect costs and follow a similar practice of funding grantees’ actual indirect costs in their grantmaking.

- **Fiscal sponsors**: Grantees serving as fiscal sponsors should include an indirect cost rate appropriate to the specific project for which they are acting as sponsor and sufficient to cover the administrative costs of that project.

- **Organizations located outside the U.S.**: Accounting standards vary in other countries, but we encourage grantee organizations working outside the U.S. to provide an indirect cost estimate that fully covers the indirect costs needed to support their work.

- **For-profit organizations**: The Foundation relies upon the nonprofit status assigned by the IRS when assessing the charitability of grantees. Because no such reliance is available with for-profit organizations, the Foundation is held accountable for ensuring that any grant funds it awards to a for-profit organization be dedicated to accomplishing a charitable, educational, or scientific purpose. Program staff must ensure that the indirect cost estimate from for-profit organizations reasonably and transparently reflect all indirect costs attributable to the charitable purpose of the grant, but only those specifically attributable to that purpose.
Definitions

Direct Costs
Direct costs are those that would not be incurred if the project did not exist and are directly attributable to designing, planning, and implementing a project. Examples of direct costs may include:

- salaries and benefits of project and administrative personnel who execute or manage the project;
- grant awards, fellowships, or subcontracts;
- postage, and printing costs;
- fiscal sponsorship fees; or
- professional services required to carry out the project.

Capital Expenditures
Capital expenditures, such as renovations or major equipment purchases, should be excluded from the direct cost when calculating the indirect cost rate.

Indirect Costs
Indirect costs are general or administrative costs that are necessary to support the operations of the grantee to deliver project services or activities, that may be shared across multiple projects. Examples of indirect costs may include:

- office supplies, rent, utilities;
- bank, payroll processing, or audit fees;
- liability insurance;
- equipment maintenance; or
- salaries and benefits of personnel who may not be directly engaged in the project.

FAQ

Q: How does the Indirect Cost Policy apply to general support grants?
A: General support grants do not have restrictions and can be used at the grantee’s discretion, including purposes defined as indirect. Therefore, there are no fixed indirect minimum or maximum rates.

Q: When will the new policy go into effect?
A: The updated Indirect Cost Policy goes into effect January 1, 2023. Program staff may apply the new policy to pending grants at their discretion.

Q: How do I calculate the indirect cost rate?
A: The Indirect Cost Rate is calculated by dividing the total indirect costs by the total project budget.

Q: Why is the indirect cost rate different for universities?
A: Our observation in working with universities is that indirect costs are based on direct costs, with most co-funders also calculating their rates in this format. Whereas most nonprofits we find calculate indirect costs on the total project budget.