

# JOHN D. AND CATHERINE T. MACARTHUR FOUNDATION

## INDIRECT COST POLICY

### POLICY STATEMENT

The John D. and Catherine T. MacArthur Foundation recognizes that grantees may have overhead costs that are not directly attributable to projects or activities being funded by Foundation grants but are necessary to carry out the projects or activities. The Foundation will consider paying for these indirect costs up to a maximum of 15 percent of direct project or activity costs. Indirect costs do not apply to general operating support or endowment grants.

### DEFINITIONS

**Direct Costs** – Direct costs are those costs that can be identified with a particular program or project, such as salaries for project staff and materials required for the project. These costs would not be incurred if not for the existence of the program or project being funded.

**Indirect Costs** – Indirect costs are costs for activities or services that benefit more than one project or activity and may include items such as facilities costs, equipment, and information services. While these costs are not directly attributable to a specific grant-supported project and it is often difficult to determine how much is associated with each project, these costs are real and necessary to carry out the work.

Certain costs may be classified as either direct costs or indirect costs depending on the nature of the activity and the nature of the expense. Expenses that are incurred solely for the project and can be specifically attributed to the project should be considered direct costs. Costs normally considered indirect should not be separately included as direct costs.

The Foundation may require additional information to determine if a proposed expense is a direct or indirect cost.

### CALCULATING INDIRECT COSTS

Organizations requesting payment of indirect costs should be able to demonstrate how the amount being requested is calculated. That may include showing how specific indirect costs are allocated or providing evidence of an overall indirect cost rate. The overall percent of indirect costs should not normally exceed an organization's actual rate. The actual rate can generally be calculated from an organization's IRS Form 990. Project budgets should clearly show the detail of what is included in direct and indirect costs.

Proposals to include indirect costs in grants to non-U.S. organizations will be reviewed using the same method used for U.S. organizations. If the organization demonstrates the ability to allocate costs between direct and indirect, consideration will be given to reimbursing indirect costs.

Grantees may allocate a portion of their indirect costs to affiliates and partners as they deem necessary as long as total indirect costs do not exceed 15 percent.