

## Indirect Cost Policy

The Gordon and Betty Moore Foundation primarily funds specific projects with specific outcomes. The budget for each grant should reflect all of the expenses that are required for, and can be tracked directly to, the grant project. We call these costs “direct costs.” In addition, we may cover a limited amount of expenses that cannot be tracked directly to the grant project. We call these costs “indirect costs.”

Our indirect cost policy provides that the indirect cost rate may not exceed 12.5 percent of the direct costs of the project, excluding the costs of the following:

- Consultants, contractors and subgrants
- Endowments
- Equipment and capital expenditures
- Fee-for-service charges
- Fiscal sponsor fees
- Tuition

We realize that the indirect cost rate may not cover all of a grantee’s general operating costs, and grantees may need to use other resources to cover these costs.

More information on our policy on direct costs and indirect costs is below.

### Direct Costs

Direct costs include all of the expenses that are required for, and can be tracked directly to, the grant project, including but not limited to:

- **Personnel** - “Personnel” is the cost (pro-rated salary and benefits) of all staff directly involved with the project. In general, this includes the time and salary for each staff member on individual line items. Time should be estimated as a percentage of a full-time equivalent employee.
- **Consultants and Contractors** - “Consultants and contractors” are the costs of hiring workers who are not employees of the grantee to assist the primary grantee with the planning, evaluation, development or implementation of the grant. Consultants and contractors may be individuals or organizations, nonprofit, for-profit or other type of entity. Consultants and contractors should be identified by function or purpose (e.g., communication, evaluation).
- **Subgrants** - “Subgrants” are funds that will be distributed to other individuals or organizations to conduct their own activities that are coordinated by and support the primary grantee’s activities.
- **Other Direct Expenses** - “Other direct expenses” are the costs needed to complete the project, including but not limited to the cost of travel, training, conferences, supplies, computers and software.
- **Equipment and Capital Expenditures** - “Equipment and capital expenditures” are the costs of purchasing equipment or other assets that have a useful life beyond a taxable year. Capital expenditures over \$10,000 should be itemized in the budget. The grant team may request that the grantee obtain a sampling of quotes for significant capital expenditures.

## Indirect Costs

Indirect costs are expenses that cannot be tracked directly to the grant project. To calculate the indirect cost allocation, multiply the indirect cost rate (0 to 12.5 percent) by the direct cost of the project, minus the following excluded items:

- Consultants, contractors and subgrants
- Endowments
- Equipment and capital expenditures
- Fee-for-service charges
- Fiscal sponsor fees
- Tuition

These categories of exclusions are explained below.

- **Consultants, contractors and subgrants** - 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 of 0 to 12.5 percent of allowable direct costs.

- **Endowments** - Funding for endowments typically involves a significantly different structure compared to project grants. Therefore, we do not allow an indirect cost allocation on endowment funding.
- **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).

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- **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.