



## Larsen Lam ICONIQ Impact Award

Policy: Indirect Costs

January 2020

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### **POLICY STATEMENT**

Lever for Change and the Larsen Lam ICONIQ Impact Award team recognize that applicants may have overhead costs that are not directly attributable to the proposed project but are necessary to carry out the proposed project. We will consider paying for these indirect costs up to a maximum of twenty-five percent (25%) of direct project or activity costs within the \$12 million award limit.

### **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. Direct costs would not be incurred if not for the existence of the program or project being funded.

**Indirect Costs:** Indirect costs are the organization's operating 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 the specific proposed project and while it is often difficult to determine how much is associated with all of the organization's distinct projects, indirect 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 Larsen Lam ICONIQ Impact Award team 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 as that 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.

Applicants 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 twenty-five percent (25%).