



## **POLICY ON PAYMENT OF VENDOR'S AND GRANTEE'S INDIRECT COSTS**

THIS POLICY ON PAYMENT OF VENDOR'S AND GRANTEE'S INDIRECT COSTS (this "Policy") is adopted by the Board of Directors of Abdominal Core Health Quality Collaborative Foundation ("ACHQC Foundation") on the date indicated below. The purpose of this Policy is to provide for consistency in contracting with third parties providing services to ACHQC Foundation ("vendors") and with grantees of grants awarded by ACHQC Foundation ("grantees") and to manage in a responsible manner the resources of ACHQC Foundation to the end that ACHQC Foundation is able to maximize the implementation of its mission.

### **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 contract or 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 contract or grant are examples. Costs that would not be incurred if the contract or 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 contractor or 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. Expenses that would be incurred regardless of whether the contract is performed, or 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.). The indirect cost rate proposed in the budget for grants should not exceed the grantee's organizational rate (when defined by the same terms.)

While the definitions above are general guidance for all contracts and 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 contract by contract and grant by grant basis, and treatment of specific costs in one contract or grant should not necessarily be considered precedent-setting for other contracts or grants.

### **Maximum Indirect Cost Rates**

Indirect cost rates for contracts with vendors and grants are subject to the following limitations:

- 0% rate for Governmental Agencies and Private Foundations and Non-Profit Charities (other than Universities and Academic Medical Centers)
- 10% rate for Universities and for Academic Medical Centers
- 15% rate for For-Profit Organizations

The rates provided above are the maximum rates allowed under ACHQC 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 contractors or grantees.

- The indirect cost rate awarded in a contract or 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. If a significant 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.
- 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.
- 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 contractor's or grantee's indirect cost rate.

### **Exceptions**

Exceptions to this Policy may only be made with the approval of the Board of Directors.

### **Publication**

This Policy shall be published on the publicly accessible portions of ACHQC Foundation's web site in a manner that makes this Policy easily discoverable.

### **Adoption**

Adopted: May 17, 2019