

ADCES Indirect Cost Policy and Guidance

The Association of Diabetes Care & Education Specialists (ADCES) Foundation tackles critical problems impacting the dissemination of Diabetes Self-Management Education and Support (DSMES) and supports strong and effective partner organizations interested in doing the same. We believe that good stewardship means maximizing our resources, including grant funding and staff time, while building strong partnerships based on trust. We aim to structure grants in a way that makes sense from a financial perspective while also funding partners for the cost of delivering results efficiently, supported by open and honest dialogue about the resources required.

We welcome partners to contact the foundation if they have questions about this policy. Our finance team can help clarify appropriate treatment of costs under the foundation's policy.

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 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 grant are examples. Costs that would not be incurred if the 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 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 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 should not exceed the grantee's organizational rate (when defined by the same terms.)

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

Maximum indirect Cost Rates

RATE	INSTITUTION
0%	Government Agencies and Private Foundations
10%	US Universities, Colleges, and Community Colleges
15%	NGOs, Non-US Universities, For-profit organizations

The rates provided above are the maximum rates allowed under the 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 grantees.

The indirect cost rate awarded in a 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.

- Example 1: A primary grantee will receive grant funds that will be largely sub-granted to other organizations. The foundation may limit indirect costs the primary grantee receives on the sub-granted funds depending on the level of effort required to manage the subawards. The overall effective indirect cost rate awarded to the primary grantee may therefore be less than the maximum allowable rate.
- Example 2: A portion of a project budget is allocated for equipment (over \$5,000) purchases. A lower overall effective indirect cost rate may be negotiated to remove equipment cost from the indirect cost calculation.
- Example 3: A university grantee has an organizational actual indirect cost rate of 8%, i.e., for every \$1,000 in direct costs, it has \$80 in indirect costs. Rather than defaulting to the maximum rate of 10% in the grant proposal, 8% should be proposed in the grant budget.

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.

- Example: If a U.S. university is the primary grantee and has an international nonprofit organization sub-grantee, the U.S. university is eligible to receive up to a 10% indirect cost rate, while the international organization is eligible to receive up to a 15% rate.

We seek consistency across funding mechanisms and thus we reserve the right to apply this philosophy and principles to contracts.

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 grantee’s indirect cost rate.