

## INDIRECT COST RATES (EFFECTIVE AUGUST 2018)

Indirect costs may be charged to the federal portion of the award only if:

- a) The subrecipient has a current (unexpired), approved negotiated indirect cost rate; or
- b) The subrecipient is eligible to use, and elects to use, the de minimis 10-percent indirect cost rate described in the Part 200 Uniform Requirements, as set out at 2 CFR 200.414(f).

Indirect costs are those costs that are not classified as direct and cannot be easily identified to a specific project, but identified with two or more final cost objectives. There are three (3) types of indirect costs:

1. Fringe services or benefits provided to employees, e.g., health insurance, payroll taxes, pension contributions, paid absences, etc. **(Note:** Fringe benefits may be applied to direct salaries charged to projects either through a fringe benefit rate or as part of an overhead/indirect cost rate. Therefore, fringe benefits treated as indirect costs should not be included as a direct cost in the "Personnel" category of the subgrant application budget.)
2. Overhead costs associated with the performance of a project, e.g., utility costs (rent, heat, electricity, etc.), janitorial services, landscaping costs, copier maintenance, Internet services, etc.
3. Indirect costs associated with the overall management of an organization, e.g., Executive Directors' salaries, personnel department costs, accounting department costs, indirect supplies, legal fees, etc.

**Note:** All costs utilized as indirect costs must be adequately documented throughout the project period and made available to LCLE and/or any federal authorized representative if a request is made to examine all paper or electronic records related to these costs.

**Note:** *Subgrantees may count only unrecovered indirect costs as project match and, may do so only with prior approval of the LCLE.* Unrecovered indirect costs are the difference between the amount of indirect costs charged to an award and the amount that *could* have been charged to the award under the subrecipient's indirect cost rate. This includes indirect costs associated with matching funds. For example, a subrecipient that budgets the salary of a full-time employee as match may also include in that match amount the indirect costs associated with that employee's salary, provided that those indirect costs are not recovered elsewhere.

To calculate the Modified Total Direct Costs (MTDC), the Indirect Cost Worksheet must be used. When entering the amounts of each budget category, enter only the amount paid with FEDERAL dollars. The example below shows a budget using personnel, equipment, supplies and operating expenses, and consultants. Please note the example below: The federal amounts to be entered on the worksheet are the totals budgeted for personnel, equipment, supplies and operating expenses, and consultants.

1. Itemize the Budget Category expenditures.

(Verify that the Total Amount equals the Calculated Paid Amount and these totals must equal the Budget Section totals.)

ID	Budget Category	Total Amount	Amount Paid with Federal Dollars	Amount Paid with Cash Match	Amount Paid with In-Kind Match	Calculated Paid Amounts
1.1	Personnel	37,400	36,400	0	1,000	37,400
1.2	Equipment	14,800	14,800	0	0	14,800
1.3	Supplies & Operating Expenses	40,410	7,890	0	32,520	40,410
1.4	Consultants	90,000	90,000	0	0	90,000
Total: Σ		182,610	149,090	0	33,520	182,610

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Indirect Cost Worksheet	
Modified Total Direct Costs (MTDC)	
Enter Only Federal Funds in Budgeted Categories	
Personnel	\$36,400
Employee Benefits	\$0
Travel	\$0
Equipment	\$14,800
Supplies & Operating Expenses	\$7,890
Consultants	\$90,000
<b>Total Budget</b>	<b>\$149,090</b>
Unallowable Equipment	\$14,800
<b>Revised Budget</b>	<b>\$134,290</b>
<b>Modified Total Direct Costs (MTDC)</b>	
Indirect Cost Rate	<b>1.04</b>
Enter percentage as a decimal. e.g.: 1.10, 1.04, 1.07, 1.35, etc. without % sign	
<b>Modified Direct Cost Total</b>	<b>\$129,125</b>
<b>Allowable Indirect Cost Total</b>	<b>\$5,165</b>
<b>What is included in your Indirect Costs?</b>	
Rent, phone, Internet, accounting, payroll, human resources, copier machine, liability insurance, receptionist	

To calculate the amount subject to indirect costs (IDC), subtract exclusions from the total award to get the modified total direct costs as detailed in this example.

Enter the federal amounts in each budget category.

To calculate the amount subject to indirect costs (IDC), subtract exclusions (Please note: all equipment costs are unallowable in calculating MTDC) from the total award to get the modified total direct costs.

Divide the modified total costs by 1.X% (where X = IDC percentage). The result of this calculation is the dollar amount of direct costs. (The Excel MTDC Worksheet will be formatted to auto calculate this calculation for you.)

Direct costs are then subtracted from the modified total costs amount resulting in the dollar amount of allowable indirect costs.