

Indirect Costs

If Claiming:	Required Documentation
0% - less than 15% Indirect Cost Rate	<ul style="list-style-type: none">Signed letter on agency stationery stating that your agency is declining the 15% de minimus rate for indirect costs - if claiming less than the allowable 15%.
Federally Negotiated Indirect Cost Rate (FNICR)	<ul style="list-style-type: none">Federally Approved Indirect Cost Rate Letter
15% Indirect Cost Rate (De Minimis Rate)	<ul style="list-style-type: none">No additional documentation required

Indirect costs are typically applied to all Federal and State financial assistance awards. Programs funded by Federal funds must allow the subrecipient to use their own Federally negotiated rate, or the de minimis rate in the absence of a Federally approved rate, unless there is a statutory cap on the grant program, as per the Uniform Guidance. State funded grants to nonprofits are required to follow the same guidance per HB 791 SL 2022-52. The NC Administrative Code requires that all grants follow the requirements set forth in the Uniform Guidance, regardless of the source of funding.

Indirect costs are generally referred to as operating and maintenance costs or facilities and administration costs. These costs are incurred for a common purpose, benefiting more than one cost objective and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. (2 CFR 200.1)

There is not a definition for direct versus indirect; it depends on how it has been classified in the cost allocation plan. The important thing to remember is that the costs must be treated consistently and conform to the limitations and requirements of the Federal award. Duplication of expenses recovered in the budget is not allowed.

The budget “base” must include the direct costs which are allocable to the grant activity but are not organization-wide operational costs which are recovered through the application of the indirect cost rate. To calculate indirect costs with a Federally negotiated rate, the Rate (Percentage) is multiplied by the Base (Direct Costs) to get the Total Indirect Costs.

Typical indirect costs might include the cost of utilities, heating, cooling, lighting, payroll, accounting services, clerical or support staff, office rent, postage, repairs and maintenance, copier lease, payroll services, human resources, etc. All these items are necessary to the general operation of an organization. Another term used to describe these costs is facility and administrative costs (F&A).

Typical direct costs might include salaries and fringe for staff who work directly on a project or program, office supplies used for program, travel for activities that relate directly to a project or program, special equipment, training, staff development, dues and subscriptions, service payments, incentives, subawards, costs for audits, insurance, and bonding, etc.