CDP Indirect Cost Recovery Guidelines

What is Indirect Cost Recovery (ICR)?

Direct costs are the expenses required to execute a grant. They are directly attributable and can be reasonably allocated to the project being funded. Examples include program staff salaries, consultants, materials and travel expenses required to execute the grant.

Indirect costs — sometimes called overhead, facilities and administrative (F&A) costs or shared expenses — are costs incurred by an organization, shared across several projects, or defined as supporting the general operations and functions of the nonprofit. They are not easily identified with any specific project and are not directly allocable to an activity or project. ICR is often a determined percentage against direct costs, which are the expenses that an organization can easily connect to a specific project.

Examples of indirect costs include executive oversight, human resources, existing facilities costs, finance and accounting, grant management, legal expenses, bank fees, depreciation, utilities, fundraising and technology support.

Administrative costs directly allocable to a project may be considered direct costs, depending on the program design and organizational structure.

CDP philosophy regarding ICR costs

Within its grantmaking, CDP strives to create constructive and honest partnerships built on trust and a shared understanding of organizational needs.

CDP believes that funding indirect costs for grantee partners supports their sustainability, their fiscal health and the effectiveness of their programming.

In alignment with CDP’s commitment to localization and funding smaller community organizations, we will work with our potential grantee partners to ensure the proper understanding and use of this guidance.

ICR Rates

CDP is committed to ensuring as much funding as possible is used for program implementation, and for this reason, has adopted a tiered approach to ICR.

- For program activities to be implemented directly by the grant recipient or its affiliate, the maximum rate of indirect cost recovery allowed is 15%.
• On capital assets and sub-awards, the ICR rate of the primary applicant cannot exceed 10%. Sub-awards are grants or contracts with other organizations that directly contribute to the project outcomes.

• For pass-through awards, or those situations where separately registered affiliates or associated nonprofits partner for fund access purposes with the program to be implemented in its entirety by the secondary recipient, the ICR rate of the primary applicant cannot exceed 5%.

• Indirect cost rates within CDP-funded sub- or pass-through awards should also respect the philosophy and guidance included herein.

Application

This indirect cost policy applies only to project grants to nonprofit organizations. Awards not eligible for indirect cost recovery include 1) general operating support grants, 2) research grants and 3) grants made in response to general disaster-restricted appeals.

Recognizing that situations can vary greatly for organizations within disaster response and recovery, CDP retains the right to alter provisions within this guidance at its own discretion.

Calculation of appropriate rate is assumed to be included in the amount for which an organization is invited to apply. Questions on which rate to use should be addressed to your CDP focal point.

The rates provided above are the maximum rates allowed under CDP’s policy. A grantee partner with an actual indirect cost rate lower than the maximum rate provided should not increase their funding request to the maximum allowed. The intent is to fund actual costs sufficiently, not to generate financial surpluses for grantee partners. Asking for the maximum rate will not impact an organization’s chances of receiving CDP funds.

This policy, effective October 1, 2020, is adopted and shared to ensure full transparency and consistency across CDP.

1 These rates are not in effect against donor funds provided to CDP and which have their own defined ICR rates.