

## California Health Care Foundation's Indirect Cost Policy

The California Health Care Foundation has updated its indirect cost (IDC) policy to better align with best practices in the field of philanthropy and with its own values of equity and transparency. As part of our process, CHCF analyzed its portfolio of grantees and concluded that an IDC rate of 20% is applicable to the majority of its nonprofit grantees. (A [summary of this analysis](#) is available in the FAQ under "How did CHCF arrive at its policy?")

### Applicability and Exceptions

For project grants issued on or after **July 1, 2024**, CHCF has adopted the following policy:

- Nonprofit organizations (except colleges, universities, and hospitals) and government entities are no longer restricted by a minimum or maximum IDC rate for project grants.
  - A grantee requesting an IDC rate above 20% should speak with their program officer to discuss their request. CHCF may request additional details to understand how the grantee calculates its IDC rate, and may request to negotiate.
- Nonprofit colleges, universities, and hospitals are capped at 20% in indirect costs for project grants.
- Consultants, subcontracts, and subawards should be excluded from direct project costs on which the IDC rate is applied.
- The policy **does not** apply to for-profit entities or individual consultants.
- The policy **does not** apply to general operating support grants, conference and event sponsorships, or stipends, which do not require grantees to identify direct and indirect costs.

### Summary of CHCF's IDC Policy

What kinds of organizations?	What kinds of grants?
<p><b>No IDC restrictions for:</b></p> <ul style="list-style-type: none"><li>• Nonprofit organizations</li><li>• Government entities</li></ul> <p>Requests over 20% require approval</p> <p><b>IDC capped at 20% for:</b></p> <ul style="list-style-type: none"><li>• Nonprofit universities, colleges and hospitals</li></ul> <p><b>IDC policy does not apply to:</b></p> <ul style="list-style-type: none"><li>• For-profit consulting firms</li><li>• Individual consultants</li></ul>	<p><b>Applies to:</b></p> <ul style="list-style-type: none"><li>• Project grants</li></ul> <p><b>IDC Policy does not apply to non-project grants, such as:</b></p> <ul style="list-style-type: none"><li>• General operating support grants</li><li>• Program support grants</li><li>• Conferences and event sponsorships</li><li>• Stipends</li></ul>

### Cost Definitions

CHCF's definitions and categorizations of costs may not be the same as those of other private or public funders, and are not the same as those used in negotiating a federal Negotiated Indirect Cost Rate Agreement (NICRA).

- **Direct.** CHCF defines **direct costs** as those specifically identifiable and directly attributable to work conducted under a project, such as personnel costs, project supplies and materials, and travel costs. Direct costs may also include the *program-related* portion of costs that support multiple organization functions, such as facilities, utilities, and telephone/internet services (sometimes referred to as shared or allocated costs).
- **Indirect.** CHCF defines **indirect costs** as general and administrative costs of an organization that are not specifically identifiable or directly attributable to the work conducted under a funded project.

### Indirect Cost Rate Calculation

- An **organization's** indirect cost rate is the ratio of the organization's *total* (organization-wide) indirect costs to its *total* direct costs.

$$\text{IDC Rate (\%)} = \frac{\text{Total Indirect Cost}}{\text{Total Direct Cost}}$$

- **Project budget** indirect costs are the sum of the budget for personnel and other direct costs times the grantee's IDC rate. Consultants, subcontracts, and subawards should be excluded from direct project costs on which the IDC rate is applied. CHCF defines *consultants* and *subcontracts* as contracts for services or for goods that are definite and identifiable segments of the scope of work of a project, and a *subaward* as a financial award or grant issued by the grantee.

*Example: A \$25,000 project budget might include \$10,000 for personnel and benefits, \$8,000 for meeting costs, \$2,000 for travel, and \$5,000 for a subcontract. If an organization's IDC rate is 20%, indirect costs would be calculated as 20% of \$20,000 (all costs except the \$5,000 subcontract), which is \$4,000.*

Grantees are encouraged to bring any questions about CHCF's IDC policy to their CHCF program officer or to CHCF's grants administration team (grants@chcf.org). For more resources on determining an organization's IDC rate, please see the [Fundors for Real Cost, Real Change's Indirect Cost Rate Guide \(PDF\)](#).