

RECOVERY AND DISTRIBUTION OF INDIRECT OR F&A COSTS

Some grant and sponsored project funders provide *indirect costs, overhead, or facilities and administration (F&A) costs* as a portion of awarded funds. These funds are meant to reimburse the institution for associated projects costs that are difficult to enumerate as budget line items such as electricity consumption, building housekeeping, administrative personnel, etc. These are the additional support costs which are often hidden but help provide a positive environment for sustaining such sponsored projects.

Charging of Indirect Costs

Many funders do not allow charging of indirect costs. However, for those that do permit such costs, Earlham's policy is that the maximum allowable should be charged* for all grant applications and sponsored projects. The Controller must approval all budgets, including the charging of indirect costs, prior to proposal submission.

A commonly cited maximum is one's *federally negotiated rate*. Nonprofits such as Earlham can negotiate a Facilities & Administration cost rate through a "cognizant agency" of the US Federal government based on a full accounting of business expenses. The Office of Sponsored Programs and Foundation Relations can confirm the College's current federally negotiated rate.

Distribution of Recovered Indirect Costs

Funds recovered via such accounting of indirect costs will be distributed by the College as follows†:

- 50% returned to the College's general operating budget for cost recovery and
- 50% provided to the Academic Dean to be used at their discretion.

Such discretionary funds will generally be used by the Academic Dean to support faculty professional development and research, equipment funds, matching funds for other grants, etc.

Policy review. This policy is to be reviewed every five years. Review will be initiated by the Office of Sponsored Programs and Foundation Relations.

Adopted and approved by the Earlham College Cabinet on October 30, 2018.

* In limited situations, the Academic Dean or Chief Financial Officer may elect to waive a portion or all of the indirect costs (if funder terms allow) on a specific proposal in negotiation with Principal Investigator/Project Director.

† Alternate allocations must be approved by both the Academic Dean and Chief Financial Officer and communicated in writing to the Office of Sponsored Programs & Foundation Relations prior to proposal submission.