



AIDS FUNDING COLLABORATIVE
Policy for Funding Overhead Costs
May 2008

The AIDS Funding Collaborative (AFC) recognizes that all organizations incur indirect costs (sometimes referred to as overhead or administrative costs or shared costs) in providing programs and services. All organizations must use a rational and acceptable method to allocate indirect costs to projects, although these methods may vary widely. Such variations, however, may create disparities among the organizations that receive AFC grant awards in the extent to which indirect costs are reimbursed by AFC.

In an effort to ensure our support of the indirect costs associated with programs/projects the AFC funds, and to be consistent in that support, *the AFC has adopted a policy to fund up to an additional 10% of the total program/project costs to support overhead (indirect) costs for targeted and responsive grants.* This policy does not apply to discretionary grants.

What expenses are included in overhead?¹ For our grantmaking purposes, expenses considered part of overhead include rent, utilities, technology costs (IT maintenance contracts, annual software license fees, telephone and internet service), shared office supplies (paper, toner, ink), development/fundraising costs (including personnel attributed to those functions), accounting and audit costs (including personnel attributed to those functions), and insurance.

What costs are included in program costs and considered direct costs? Program costs are those that directly relate to the delivery or implementation of the project. The organization would not incur this cost if the program was not conducted or implemented.

Examples of program costs include:

- *staff salaries/benefits for staff* directly involved in the delivery or implementation of the program/project;
- *salaries/benefits of the direct supervisor of program staff* are prorated based on the amount of time they spend on planning, management, and/or implementation

¹ Please note, the overhead and indirect costs specified in this policy relate solely to what the AFC is willing to consider for funding purposes. They do not speak to the rules and regulations for overhead and indirect costs dictated by Generally Accepted Accounting Principles (GAAP), external reporting requirements, Office of Management and Budget cost principles for not-for-profit organizations that receive federal awards, and the IRS.

directly related to the program (a supervisor's time for staff meetings, staff evaluation, and overall grants management are not considered direct program expenses);

- costs of *program materials* (e.g. educational materials for program participants, promotional materials for a program including postage for mailing of program-specific marketing materials, HIV tests, refreshments for program participants);
- *transportation* (e.g. for program participants if warranted, for staff to implement the program);
- fees for *consultants or contractors* working directly on the project;
- *room rental costs* if the program involves holding a forum at an outside location (this does not include costs for utilizing meeting rooms in the organization's office or building, since this would be included in indirect costs for rent and utilities);
- *stipends for participants* if this is a warranted program-related incentive; and
- *technology costs related specifically to the proposed project*, most likely capacity building projects (e.g. initial software costs for projects to institute new data management systems, necessary related hardware such as wiring or cables, upgrades to existing hardware necessary for functionality of the project such as server upgrades).

As always, the AFC will carefully review and assess proposed budgets and budget narratives.

How does this affect our grant application? We have revised the AFC Budget Form so it reflects this change in policy. Expenses directly related to the program/project and for overhead are separated out on the form. The budget narrative should provide a detailed explanation for how each program/project expense and overhead line item is calculated or determined. The overhead subtotal must not exceed 10% of the direct program/project costs subtotal. The total expenses being requested of the AFC equal the subtotal of the direct program/project expenses and of the overhead.

Although it is the AFC's intention for this policy to ensure consistent and equitable payment of indirect costs in our grantmaking, the AFC reserves the right to assess grants on a case by case basis to determine the application of this policy.