

INDIRECT COST CALCULATION WORKSHEET

This worksheet provides you with all the information necessary to calculate the maximum allowable indirect cost for an application. It includes the formula used to calculate the maximum allowable indirect cost for an application as well as step-by-step instructions for using the formula to complete the calculation.

Indirect costs are that portion of the grant award that a district or service center may use to fund general operations, such as accounting, that are not allowed to be included in *Support Schedules 3B-3H*. The calculation of indirect costs can be confusing, but not if you follow the simple steps below.

When building the budget, keep in mind that there are certain categories of expenses that the district must exclude when it is computing indirect costs. Those categories are as follows:

Tuition Services (622X) Non-employee Stipends (6413) Food Costs (6499) Capital Outlay (66XX)

Therefore, if any of the above costs are going to be included in the budget, it may be prudent to determine those costs first. Then, you can use the formula below to help you determine the amount of funds you have available to apply toward the remainder of the direct costs of the grant and the total that may be applied as indirect costs.

Please review the example below to learn how to compute indirect costs.

EXAMPLE

Harry Potter ISD received a McKinney-Vento grant for \$43,994 [line 1]. The district has no additional funds available to pay indirect costs over the grant allocation. The district first determines that it is going to spend \$5,000 on capital outlay and \$450 on food costs; these are its nonallowable costs. To begin the computation for the maximum allowable indirect cost amount, first the district has to subtract the nonallowable costs from the total allocation, which leaves \$38,544 (A) [line 2]. Next, the district notes its current indirect cost rate, 5% (R) [line 3]. Now the district can apply the formula on line 4 in order to determine the allowable indirect costs, which are \$1,835 [line 5].

Description	Code	Amount
1. Total Allocation	AL	\$43,994
2. Total Allocation Minus Nonallowable Costs	A	(43,994 - 5,450) 38,544
3. Indirect Cost Rate	R	5% or .05
4. Formula	$\frac{(R)(A)}{1 + R}$	$\frac{(.05)(38,544)}{1.05}$
5. Allowable Indirect Cost		1,835

The following calculation shows how to determine the total amount the district can spend on direct costs. Simply take the total allocation, subtract the allowable indirect cost amount, and the remainder is the amount available for direct costs.

Total allocation	\$43,994
Indirect cost	-1,835
Total direct cost funds available	<u>\$42,159</u>

To check the calculation, do the following:

Total direct costs	\$42,159
Exclusions (nonallowable costs)	<u>-5,450</u>
Total	<u>\$36,709</u>

Direct costs minus nonallowable costs	\$36,709
Indirect rate	x .05
Total Indirect Costs Allowed	<u>\$ 1,835</u>

Whenever you change the amounts of the line items in the schedules of this application, it could affect the indirect cost calculation. Therefore, whenever changing or adjusting the line items in any schedule, it may be useful to recalculate the maximum allowable indirect cost.

PLEASE NOTE: An LEA can request any amount up to the maximum allowable indirect cost amount for their grant. An LEA may also choose not to claim any indirect costs on this grant.

Below is a worksheet you can use to calculate the maximum allowable indirect cost. It is recommended that the formula be included on an electronic spreadsheet for ease of calculation. Consult the district's Business Office for additional assistance.

Indirect Cost Calculation Formula:

$$\frac{(\text{Total Grant Amount} - \text{Indirect Cost Exclusions}) \times (\text{Indirect Rate})}{1 + \text{Indirect Rate}} = \begin{matrix} \text{Maximum} \\ \text{Allowable} \\ \text{Indirect} \\ \text{Cost} \end{matrix}$$

Step-by-step instructions for using the Indirect Cost Calculation Formula for calculating the maximum allowable indirect cost amount for an application:

<p>1. Calculate the total amount of Indirect Cost Exclusions for your grant by adding together all of the line items that are excluded.</p> <p style="margin-left: 40px;">Tuition Services (622X): _____</p> <p>+ Nonemployee Stipends (6413): _____</p> <p style="margin-left: 40px;">+ Food Costs (6499): _____</p> <p style="margin-left: 40px;">+ Capital Outlay (66XX): _____</p> <p>=Total Amount Excluded: _____</p>	<p>2. Calculate the maximum allowable indirect cost amount that is allowable for an application.</p> <p>a. Calculate the difference between the total amount requested for the grant and the total amount of indirect cost exclusions (from step 1.).</p> <p style="margin-left: 40px;">Total Grant Amount Requested: _____</p> <p style="margin-left: 40px;">- Total Amount Excluded: _____</p> <p style="margin-left: 80px;">=Difference: _____</p> <p>b. Multiply the LEA's indirect cost rate times the Difference (from step a.).</p> <p style="margin-left: 80px;">Indirect Cost Rate: _____</p> <p style="margin-left: 80px;">x Difference: _____</p> <p style="margin-left: 80px;">=RateXDiff: _____</p> <p>c. Add 1 to the indirect cost rate.</p> <p style="margin-left: 40px;">1 + Indirect Cost Rate= _____</p> <p>d. Divide the RateXDiff (from step b.) by 1 + Indirect Cost Rate (from step c.).</p> <p style="margin-left: 40px;">(RateXDiff)/(1+Indirect Cost Rate) = _____</p> <p>Maximum Allowable Indirect Cost Amount for this application \$ _____</p>
---	---