



# Indirect cost policy for grants

## Introduction

The LEGO Foundation supports strong and effective partner organizations to empower children to become creative, engaged, lifelong learners. The LEGO Foundation believes that good stewardship means maximizing our resources, including grant funding, while building strong partnerships based on trust.

The LEGO Foundation aims to structure grants in a way that makes sense from a financial perspective while also funding partners for the cost of delivering results efficiently, supported by open and honest dialogue about the resources required. The intent is to sufficiently fund actual costs, not to generate financial surpluses for partners.

The LEGO Foundation will pay for expenses that are directly attributable to project activities, output and outcomes as direct costs and expenses associated with general running of the organisation as indirect costs.

## Direct Costs

Direct costs are the expenses required to execute a grant that are directly attributable and can be reasonably allocated to the project. Project staff salaries, travel expenses, materials, and consultants required to execute the grant are examples. Costs that would not be

incurred if the grant did not exist are often indicative of direct costs.

## Indirect Costs

Indirect costs are general overhead and administration expenses that support the entire operations of a partner and that may be shared across projects. Examples include facilities expenses, e.g. rent, utilities, equipment for the partner's headquarters, associated information systems and support and administrative staff such as HR, general finance, accounting, IT, and legal. Expenses that would be incurred regardless of whether the grant is funded are often indicative of indirect costs. While these costs may not be directly attributable to a project, they are real and necessary to operate as an organization.

## Indirect Cost Rate

As general guidance the indirect cost rate is maximum 15% (budgeted indirect costs/budgeted total direct costs). However, the indirect cost rate proposed in the budget should not exceed the partner's general organizational rate (when defined by the same terms).

In situations where partner organisations are subject to sectorial challenges the LEGO Foundation can on a case-by-case basis increase the indirect cost rate to 25 %.



While the indirect cost rate above is general guidance for all partners, the requirements and activities of each project, the situation of the partner and the financial value of the partnership, including economy of scale, should be considered when determining direct and indirect costs.

The LEGO Foundation reviews the budget and cost categorizations on a grant-by-grant basis and can decide to make specific agreements regarding the indirect cost rate.