



A Step Toward Equitable Grantmaking

Missouri Foundation for Health (MFH) recognizes that our grantee partners play a pivotal role in addressing societal needs, championing causes, and providing essential services to their communities. To effectively carry out their missions, they require adequate financial support not only for direct program expenses but also for indirect expenses that sustain their operational infrastructure. This increase is vital as it ensures the sustainability, transparency, and overall effectiveness of these organizations in delivering impactful programs and services.

It's essential for foundations to recognize that a higher allowable indirect rate doesn't necessarily mean inefficiency but rather supports the overall health and effectiveness of the nonprofits they support. By investing in these indirect costs, foundations contribute to the long-term success and impact of the grantee partners they fund.

To demonstrate MFH's recognition of the important role our grantee partners play in achieving health equity and supporting their operational infrastructure, the Foundation has updated its indirect expense policy for grant proposals received on or after January 1, 2024.

What is MFH's new indirect expense policy for grants?

Indirect expense is calculated as a percentage of the total direct expense request from MFH, and the rate is based on the applicant's expenses from the most recent annual accounting period as outlined in the table below. The direct expense request from MFH does not include indirect expense or the fiscal sponsor fee, if applicable, as shown in the spreadsheet on the last page of the [MFH grant budget template](#).

Expenses from Applicant's Recent Annual Accounting Period	MFH Indirect Rate (as a percentage of total direct expense request from MFH)
Under \$1 million	25%
Between \$1.01 & 5 million	20%
Over \$5 million	15%

Example:

In the example below, the applicant's expenses from the most recent annual accounting period were \$1,560,989. Using the table above, the MFH indirect rate is 20% since their expenses were between \$1.01 and \$5 million. The direct expense request from MFH in this example is \$27,675. To calculate the indirect request amount, multiply the direct expense request from MFH of \$27,675 by the MFH indirect rate of 20%, which equals \$5,535. The total request from MFH is \$27,675 plus \$5,535 for a total request from MFH of \$33,210.

Expenses from Applicant's Recent Annual Accounting Period	Direct Expense Request from MFH	MFH Indirect Rate	MFH Indirect Expense	Total Request from MFH
\$1,560,989	\$27,675	20%	\$5,535	\$33,210

What changed from the previous policy?

MFH's previous policy allowed up to 15% only on total compensation (salary and benefits and payroll taxes).

What are direct expenses and indirect expenses?

Direct expenses are directly identifiable and are specifically associated with a project. Examples of direct expenses are compensation, consultant fees, travel, and equipment related to the project.

Indirect expenses are shared among projects and/or functions. Examples of indirect expenses are executive management, accounting, grants management, human resources or administrative and other support services, phones, occupancy, insurance, utilities, and facility maintenance.

Why did MFH make this change?

After extensive research, conversations with other funders, and a sampling of applicants and grantee budgets, MFH found:

- Nonprofit indirect rates typically range from 10-30%
- Organizations with smaller annual budgets tend to have higher indirect costs due to economies of scale achieved at larger organizations
- Organizations led by people of color have, on average, smaller organizational budgets due to systemic funding barriers

MFH believes this change will:

- Contribute to the sustainability and financial health of our grantee partners, particularly those with smaller organizational budgets
- Align with best practices in the field to promote more equitable grantmaking
- Enable grantee partners to more accurately recover indirect costs
- Provide flexibility to allocate resources based on grantee partners' needs

Which grants are affected by this policy?

The change applies only to grant proposals received on or after January 1, 2024. This change does not apply to active grants or contracted services or to proposals received prior to January 1, 2024.

Who can I contact with questions or to provide feedback?

MFH recognizes the importance of learning from its partners. If you have questions or if you'd like to provide feedback about the change, please contact Deena Lauver Scotti, Vice President of Program Administration, at dlauverscott@mffh.org or (314) 345-5556.