



Investment, Administrative and Indirect Expenses Charged to Gift¹ Funds at MIT

This document describes current MIT policies governing the different types of expenses charged to gift funds administered by the Institute. It is intended as a reference guide for the MIT community, especially those who supervise or administer gift funds or interact with gift donors.

In general, MIT policy regarding these expenses makes a distinction between endowment gift funds (where only income from fund assets is used to support the fund’s designated purpose) and expendable gift funds.

Endowment Gift Funds



MIT charges Investment Expenses and Recovery of Service Costs to **endowment gift funds**. Unlike expendable funds, endowment funds are not charged indirect costs or fund transaction fees as they are distributed or spent. Instead, they are subject to Investment Expenses and Recovery of Service Costs.

- **Investment Expenses**

MIT's direct costs to manage its endowment have generally averaged between 0.10% and 0.15% of the value of the assets held in its endowment. These investment expenses are charged directly to the total investment return earned on all endowed assets prior to the annual determination of the endowment payout. Thus these expenses are collected at one time, before the endowment payout is made available to support the purposes of endowment funds.

- **Recovery of Service Costs**

¹ A receipt is generally considered a “gift” when: (i) it is made for philanthropic purposes; (ii) the transferor receives nothing of value in return; (iii) there are no (or few) conditions/restrictions placed on the transfer; and (iv) only minimal/general fund progress reports are required to be provided to the transferor. A receipt that does not meet these safe-harbor requirements may not be classified as a gift. If you have any questions regarding the classification of a transfer, contact the Office of the Recording Secretary.



MIT recovers service costs borne centrally (space, utilities, etc.) that are directly attributable to an endowment fund's designated purpose by retaining a certain amount of the endowment payout. This recovery amounts to 25% of the funds distributed for each endowment fund, except for graduate fellowships, which are charged 15%, and undergraduate scholarships, which are not charged.

Expendable Gift Funds

- **Indirect Costs (Overhead) and Fund Transaction Fee**

Programs supported by donor-established expendable (i.e., non-endowment) funds incur related infrastructure costs that the Institute must cover. These costs, such as the general maintenance and upkeep of the space in which the programs take place (e.g., electricity, heat, fire protection and insurance), reflect part of the total costs attributable to a program's operation. At MIT, these related costs are generally recovered as either "indirect costs" (for personnel related expenses) or "fund transaction fees" (primarily for non-personnel related expenses).

MIT charges related indirect costs and fund transaction fees as percentages of actual expenses charged to a fund that has been established for a particular program or activity. The percentage depends on the type of direct expenses charged to the fund. These percentages are as follows:



- 1) Salaries and employee benefits charged to non-endowment funds are subject to the current federally negotiated research indirect cost rate, which is currently 68% (FY10). Faculty academic year and summer salaries, as well as all student salaries, are exempt from these charges. So, salaries and benefits of employees such as post-doctoral associates, lecturers, administrative staff, support and clerical staff, or research staff that are paid by these funds are charged the research indirect cost rate.
- 2) Non-personnel expenses, such as materials, office supplies, travel, equipment, consultants, service contacts, fund drafts, etc., charged to non-endowment funds, are subject to a fund transaction fee which is currently set at 10% of these expenses. The fund transaction fee is also applied against graduate student research assistant salaries and tuitions. Note, however, that student-related non-personnel expenses, such as graduate student teaching assistant tuition and graduate fellowship tuition, are exempt from the fund transaction fee.

Schools or departments are responsible for paying these indirect costs and fund transaction fees if the donor will not provide them. Any exception to this policy will be at the discretion of the Provost.

Also note that proposed gifts connected with international programs or with large or complex domestic programs must be reviewed by the Provost's office and may be subject to a higher level of indirect costs or fund fees.



Summary:

	Investment Expenses	Recovery of Service Costs	Indirect Costs and Fund Transaction Fee
ENDOWMENT	Charged prior to distribution	Collected when distribution is made	Not charged
EXPENDABLE	Not charged	Not charged	Charged as funds are expended

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