



ADMINISTRATIVE (INDIRECT) COSTS GUIDELINES FIRST 5 CONTRACTS

Please be advised that it is the preference of First 5 San Bernardino to only fund direct project costs. However, First 5 San Bernardino will consider allowing the recovery of indirect costs calculated as a percentage of direct project costs. Any budgetary allowances for recovery of indirect costs will be subject to negotiation; and therefore, a breakdown must be provided for any indirect costs included in your proposal. A reasonable indirect cost allocation plan that has been approved by the agency's board will be given due consideration.

Indirect vs. Direct Costs

Direct costs are those for activities or services that benefit specific projects, e.g., salaries for project staff and materials required for a particular project. Because these activities are easily traced to projects, their costs are usually charged to projects on an item-by-item basis.

Indirect costs are those for activities or services that benefit more than one project. Their precise benefits to a specific project are often difficult or impossible to trace. For example, it may be difficult to determine precisely how the activities of the director of an organization benefit a specific project.

It is possible to justify the handling of almost any kind of cost as either direct or indirect. Labor costs, for example, can be indirect, as in the case of maintenance personnel and executive officers; or they can be direct, as in the case of project staff members. Similarly, materials such as miscellaneous supplies purchased in bulk -- pencils, pens, paper -- are typically handled as indirect costs, while materials required for specific projects are charged as direct costs.

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Examples

Costs usually charged directly

- Project staff
- Consultants
- Project supplies
- Publications
- Travel

Costs either charged directly or allocated indirectly

- Telephone charges
- Computer use
- Project clerical personnel
- Postage and printing
- Miscellaneous office supplies

Costs usually allocated indirectly

- Utilities
- Rent
- Audit and legal
- Administrative staff
- Equipment rental

The First 5 San Bernardino Commission is committed to strong infrastructure and capacity among the child serving organizations in our County. By requesting greater disclosure and accountability with our funded agencies, we will optimize, not minimize all costs, including administrative costs. We will value those costs incurred by organizations to do “real work” most effectively, as appropriate to the extent that they contribute net value for the proposed services to the children and families of San Bernardino County.