



Quick Guide to Preparing a Federal Grant Budget

Distinguishing Between
Allowable and Unallowable Costs



About Nevada GrantLab

Nevada GrantLab supports nonprofit organizations and their government partners to access and administer federal grants that benefit Nevadans. Our work is backed by a network of passionate experts who provide guidance and technical assistance, and is made possible by generous philanthropic support.

The federal government defines costs as allowable or unallowable for the purpose of determining and limiting the expenses that federal funds can be used to pay for.

Unallowable costs cannot be charged (directly or indirectly) to the federal government.

Understanding unallowable costs helps avoid application penalties or the need to repay incorrectly billed costs with interest. Identifying unallowable expenses will also help pinpoint the amount of supplementary funds an organization must raise from non-federal funding sources, such as private philanthropy and foundation grants.

To determine which expenses federal funds may be used for, the federal government classifies expenses as either allowable or unallowable. **The Code of Federal Regulations (CFR) establishes baseline requirements for all federal grants (across various agencies administering federal grants), and provides guidance on how most costs should be categorized.**

This guide lists common allowable and unallowable costs (inclusive of most recent CFR updates, August 13, 2020).

About the Expert

Prepared by Andy Schuricht

Andy is a social entrepreneur and strategist recognized for his work in both the corporate and nonprofit sectors. He is a former nonprofit finance executive and founder of Valor CSR, a Certified B Corporation. Valor CSR helps companies balance purpose with profit by crafting strategic corporate social responsibility (CSR) programs. Andy also co-hosts the Nonprofit Everything podcast, and has developed and taught numerous courses at The University of Nevada, Las Vegas (UNLV).



Common Allowable Costs

ALLOWABLE EXPENSE CATEGORY	NOTES
Advertising and Public Relations	<p>Allowable if they directly support the grant-funded program</p> <p>Unallowable for general advertising and public relations, such as organizational branding or websites</p>
Audit Services	Allowable if a Single Audit is required for the grant-funded program
Bond Issuance Costs	Allowable if required by the federal award
Collections for Improper Payments	Allowable only to pay for collections services to reclaim grant funds improperly paid to a subgrantee or contractor, or if the subgrantee or contractor did not meet other requirements of the award
Compensation (Salary and Benefits)	<p>Allowable but controlled by technical details and restrictions, such as:</p> <ul style="list-style-type: none"> • Compensation should align to typical compensation for similar work • Compensation should not include board directors or trustees, unless they are also employees (not recommended) • Compensation should be limited to time spent working on grant program • Compensation should be supported with appropriate recordkeeping, such as timesheets tracking time spent on individual grants • Benefits are subject to a maximum percentage or amount • Benefits should follow the organization's current agreements about incentive pay
Conferences	Allowable
Depreciation	Allowable if the asset was not acquired with federal funding
Equipment and Capital Expenditures	Allowable with prior written authorization
Insurance	Allowable
Intellectual Property Rights and Uses	Allowable if it relates to the federal award
Maintenance and Repair	Allowable
Materials and Supplies	Allowable

Common Allowable Costs (continued)

ALLOWABLE EXPENSE CATEGORY	NOTES
Memberships and Subscriptions	<p>Allowable for business, technical and professional organizations</p> <p>Allowable with prior written authorization for community and civic organizations</p> <p>Unallowable for country, social, and dining clubs</p>
Professional Services	<p>Allowable but subject to several restrictions, including:</p> <ul style="list-style-type: none"> • Provider must be qualified • Contract must be available for review • Services must be actually rendered
Pre-award Costs*	<p>Allowable with prior written authorization</p> <p><i>*Pre-award costs are those incurred before the grant is officially awarded</i></p>
Plant and Security Costs	Allowable
Recruiting	Allowable, except for signing bonuses, which are unallowable
Plant and Security Costs	Allowable
Rent	Allowable but subject to several restrictions
Training	Allowable
Transportation (including freight and postage)	Allowable
Travel	Allowable

Common Unallowable Costs

ALLOWABLE EXPENSE CATEGORY	NOTES
Advisory Council	Unallowable if used for general organizational purposes, e.g., snacks for your board meeting. If directly related to your project, they could be allowable under other categories. For example, a required community input panel may require a facilitator (professional services), a space (rentals), and snacks (office supplies.)
Alcohol	Unallowable
Contributions and Donations	Unallowable
Debt Collection or Payment	Unallowable
Lobbying*	Unallowable <i>*Lobbying is a clearly defined set of activities that does not preclude collaborating and providing technical assistance to government partners</i>
Fundraising	Unallowable, except in special cases
Investment Management	Unallowable, except in special cases
Interest	Generally, only allowable if financing capital assets that are specifically used for the federal award
Entertainment	Generally unallowable, except if serving a pre-authorized programmatic purpose

**NOTE: These lists are not inclusive of all pertinent information related to federal grant expenses. Please review the official federal regulations for full details: www.ecfr.gov (2 CFR 200 subpart E).*