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SJSURF is not in a position to finance or make arrangements to finance awards for which funding is not secured in advance, nor may the PI make expenditures before or after the dates of the award (period of performance). This date restriction applies to all purchases and payroll charges.

5.1 General Criteria for Allowability (2 CFR 200.403)

For a cost to be allowable under a federal award, it must meet all of the following general criteria:

5.1.1 Necessity and Reasonableness: The cost must be necessary for the performance of the federal award and be reasonable in amount. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Factors to consider include:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- The restraints or requirements imposed by sound business practices, arm's length bargaining, federal and state laws and regulations, as well as terms and conditions of the federal award.
- Market prices for comparable goods or services.
- Whether the individuals concerned acted with due regard for their responsibilities to the Federal Government, the awardee, and the public.
- Significant deviations from the organization's established practices.

5.1.2 Allocability: The cost must be allocable to the federal award. A cost is allocable to a particular federal award if the goods or services involved are chargeable or assignable to that federal award in accordance with the relative benefits received. This means the cost:

- Is incurred specifically for the federal award.
- Benefits both the federal award and other work, and can be distributed to them in a reasonable proportion to the benefits received.
- Is necessary to the overall operation of the organization and is assignable in part to the federal award.

5.1.3 Consistency: The cost must be treated consistently. A cost can't be treated as a direct cost for some federal awards and an indirect cost for others under similar circumstances. This also applies to how costs are treated across all activities of the organization, regardless of the funding source.

5.1.4 Conformity: The cost must conform to any limitations or exclusions set forth in the Uniform Guidance, other federal laws, or the terms and conditions of the federal award.

5.2 Selected Items of Cost (Subpart E of 2 CFR Part 200)

The Uniform Guidance provides specific guidance on the allowability of various cost categories. The following reflects examples of common cost categories, but it is not an exhaustive list:

5.2.1 Allowable:

- **Compensation for Personal Services (2 CFR 200.430):** Must be reasonable for the services rendered and conform to the established policies of the organization. Requires adequate documentation of time and effort.
- **Conferences (2 CFR 200.432):** Costs must be reasonable and necessary for the project. Includes facility rental, speakers, and materials. Travel costs to attend conferences are also allowable if necessary for the award.
- **Depreciation (2 CFR 200.436):** Allowable on buildings, equipment, and other capital assets used for the federal award, provided it is computed in accordance with Generally Accepted Accounting Principles (GAAP) and consistently applied.
- **Employee Morale, Health, and Welfare Costs (2 CFR 200.438):** Allowable if reasonable and consistently applied, such as costs of employee welfare, recreation, health, and similar activities.
- **Equipment and Other Capital Expenditures (2 CFR 200.439):** Equipment (tangible personal property having a useful life of more than one year and a per-unit acquisition cost of \$5,000 or more) is generally allowable with prior written approval from the federal awarding agency.
- **Memberships, Subscriptions, and Professional Activity Costs (2 CFR 200.451):** Allowable if reasonable and necessary for the organization's operations or the performance of the federal award.
- **Publication and Printing Costs (2 CFR 200.455):** Allowable if necessary for the federal award, including costs of publishing research results.
- **Rental Costs of Buildings and Equipment (2 CFR 200.465):** Allowable to the extent that the rates are reasonable and necessary.

- **Travel Costs (2 CFR 200.474):** Allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees who are on travel status for official business related to the federal award. Must be consistent with the organization's established travel policy.
- **Participant Support Costs: (2 CFR 200.456):** Allowable as classified in the proposed budget.
- **Pre-Award Costs: (2 CFR 200.458):** Pre-award costs are those incurred before the start date of the federal award or subaward directly pursuant to the negotiation and in anticipation of the federal award where such costs are necessary for efficient and timely performance of the scope of work. These costs are allowable only to the extent that they would have been allowed if incurred after the start date of the federal award and only with the written approval of the federal agency. If approved, these costs must be charged to the initial budget period of the federal award unless otherwise specified by the federal agency or pass-through entity.
- **Subaward Costs: (2 CFR 200.332)** Allowable as classified in the proposed budget.
- **Indirect costs (2 CFR 200.414):** Allowable based on the federally approved rate.

5.2.2 Unallowable:

- **Advertising and Public Relations Costs (2 CFR 200.421):** Generally unallowable, with exceptions for recruitment, procurement of goods/services, disposal of surplus materials, and specific program outreach.
- **Entertainment Costs (2 CFR 200.439):** Generally **unallowable**. This includes costs for amusement, diversion, social activities, and any costs incurred to entertain, including meals, unless they are part of a conference or meeting and are necessary and reasonable.
- **Fines, Penalties, Damages, and Other Settlements (2 CFR 200.441):** Generally **unallowable**, except when incurred as a result of compliance with specific provisions of the federal award or instructions in writing from the federal awarding agency.
- **Fundraising and Investment Management Costs (2 CFR 200.442):** Generally **unallowable**.
- **Goods or Services for Personal Use (2 CFR 200.445):** Generally **unallowable**.
- **Lobbying Costs (2 CFR 200.450):** Generally **unallowable**.

6.0 Related Policy Information

Not applicable

7.0 Required Forms

Form	Description of Use
N/A	N/A

8.0 References and Related Information

- 2 CFR PART 200 – Uniform Guidance

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

9.0 Record Retention

All documents and records are maintained in accordance with SJSU Research Foundation's *Record Retention* requirements.

Record	Retention
Allowable Costs on Federal Awards	This document is effective until further revised or updated. Outdated or revised documents will be maintained in accordance with the Research Foundation's Record Retention requirements. The Research Foundation will maintain the signed original and electronic copies of the approved policy and all updates and replacements.