



TYPE: POLICY
SECTION: FEDERAL PROGRAMS
TITLE: **ALLOWABILITY OF COSTS**
ADOPTED: March 17, 2016
REVISED: May 11, 2017
REVIEWED: February 18, 2025

ALLOWABILITY OF COSTS

Purpose

This policy provides guidance to ensure the consistent treatment of grant-related costs and to facilitate an understanding of allowable costs for federal grant awards.

Delegation of Responsibility

The Board delegates to the CEO, or designee, and Business Manager to determine how Gillingham Charter School will spend its grant funds by following the guidelines below.

Guidelines

Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state.

Employees must consult federal, State and Gillingham Charter School requirements when spending federal funds. Under such circumstance that the State and/or Gillingham Charter School puts additional requirements on a specific item of cost, the stricter requirements must be met for a cost to be allowable.

Before obligating and spending grant funds on a proposed good or service, the Business Manager and CEO, or designee, will review the proposed cost to determine whether it is an allowable use of federal grant funds.

Program funds must benefit the appropriate population of students for which they are allocated and funds should be targeted to address areas of weakness, as necessary. To make this determination, the CEO, or designee should review data when making purchases to ensure that federal funds to meet these areas of concern.

All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 C.F.R. Part 3474 and 2 C.F.R. Part 200, Subpart E, which are provided in the bulleted list below. These factors must be considered when making an allowability determination.

- **Be Necessary and Reasonable for the performance of the federal award.**

Reasonable Cost: 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 to incur the cost was made. Sound business practices were followed and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to the following.

- Whether the cost is generally recognized as ordinary and necessary for the operation of Gillingham Charter School, or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to Gillingham Charter School, its employees, its students, the public at large, and the federal government.
- Whether Gillingham Charter School significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. 2 C.F.R. §200.404

Necessary Cost: A necessary cost is determined based on the needs of the program, when the cost is necessary to achieve an important program objective. District must be able to demonstrate that the cost addresses an existing need.

When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant program.
- Whether the cost is identified in the approved budget or application.
- Whether there is an educational benefit associated with the cost.
- Whether the cost aligns with identified needs based on results and findings from an assessment.
- Whether the cost addresses program goals and objectives and is based on program data.

- **Allocable to the federal award.** The goods or services involved must be chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2

C.F.R. §200.405.

- **Consistent with other policies and procedures that apply uniformly to both federally-financed and other activities of Gillingham Charter School.**
- **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.**
- **Cost receives consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
- **Adequately documented.** All expenditures must be properly documented.
- **Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.**
- **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.**
- **Be the net of all applicable credits.**

Applicable Credits: Those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples are purchase discounts; rebates; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate or required by State law or local requirements. 2 C.F.R. §200.406.

Selected Items of Cost (2 C.F.R. §§ 200.420-200.475)

These 55 specific cost items are listed in the chart below along with the citation where it is discussed.

For a cost to be allowable, the expenditure must also be allowable under the applicable program statute along with accompanying program regulations, non-regulatory guidance and grant award notifications. If an item is unallowable for any of these reasons, federal funds cannot be used.

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Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR & 200.421
Advisory councils	2 CFR & 200.422
Alcoholic beverages	2 CFR & 200.423
Alumni/ae activities	2 CFR & 200.424
Audit services	2 CFR & 200.425
Bad debts	2 CFR & 200.426
Bonding costs	2 CFR & 200.427
Collection of improper payments	2 CFR & 200.428
Commencement and convocation costs	2 CFR & 200.429
Compensation - personal services	2 CFR & 200.430
Compensation - fringe benefits	2 CFR § 200.431
Conferences	2 CFR & 200.432
Contingency provisions	2 CFR & 200.433
Contributions and donations	2 CFR & 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR & 200.436
Employee health and welfare costs	2 CFR & 200.437
Entertainment costs	2 CFR & 200.438
Equipment and other capital expenditures	2 CFR & 200.439
Exchange rates	2 CFR & 200.440
Fines, penalties, damages and other settlements	2 CFR & 200.441
Fund raising and investment management costs	2 CFR & 200.442
Gains and losses on disposition of depreciable assets	2 CFR & 200.443
General costs of government	2 CFR & 200.444
Goods and services for personal use	2 CFR & 200.445
Idle facilities and idle capacity	2 CFR & 200.446
Insurance and indemnification	2 CFR & 200.447
Intellectual property	2 CFR & 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR & 200.450
Losses on other awards or contracts	2 CFR & 200.451
Maintenance and repair costs	2 CFR & 200.452
Materials and supplies costs, including costs of computing devices	2 CFR & 200.453
Memberships, subscriptions, and professional activity costs	2 CFR & 200.454
Organization costs	2 CFR § 200.455

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Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruitment costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

Allowability Analysis: Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, these questions can be referred to for a useful framework when performing an allowability analysis:


- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
- Is the proposed cost consistent with EDGAR?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

Written Policies

Charter School's written policy on Allowability of Costs is public record.

TO THE EXTENT THAT ANYTHING IN THIS POLICY COULD BE CONSTRUED TO CONFLICT WITH THE SCHOOL'S CHARTER OR APPLICABLE STATE AND/OR FEDERAL LAWS, THE APPLICABLE STATE AND/OR FEDERAL LAWS AND/OR CHARTER CONTROL.

Reviewed this 18th day of February, 2025


Scott Herbert (Feb 25, 2025 13:07 EST)

_____ (BOT President)


Dan Kurtz (Feb 25, 2025 13:47 EST)

_____ (BOT Secretary)









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Final Audit Report

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