

14. COST PRINCIPLES (§ 200 SUBPART E)

The allowability of costs under an NEA Partnership Agreement award is determined in accordance with the NEA's legislation and appropriate NEA program guidelines or program solicitation, and the cost principles. All costs included in your approved project budget and on payment requests and financial reports for the award, whether supported with NEA funds or cost share funds, must be:

- Necessary and reasonable for the performance of the federal award (§ 200.403(a)).
- Allocable and in conformance with these cost principles and as set forth in the award (§ 200.403(b)).
- Consistent with written policies and procedures that apply uniformly to both federally financed and other activities of the recipient (§ 200.403(c)).
- Accorded consistent treatment as either a direct or indirect cost (§ 200.403(d)).
- Determined in accordance with generally accepted accounting principles (GAAP) (§ 200.403(e)).
- Not included as a cost or used to meet cost sharing requirements of any other federally financed program (§ 200.403(f)).
- Adequately documented for reporting and audit purposes (§ 200.403(g)).
- Incurred during the approved period of performance and budget period (§ 200.403(h)).

Where the determination of cost allowability differs, the NEA program guidelines, GTCs, and any specific terms and conditions, as appropriate, take precedence over 2 CFR 200.

UNALLOWABLE COSTS

You should refer to the Partnership Agreement award program guidelines applicable to your award for the full list of unallowable costs and activities. The following is a selection of common costs that are unallowable based on NEA legislation and policy:

- Cash reserves and endowments.
- Costs to bring a project into compliance with federal award requirements.
- Compensation to foreign nationals, including travel to or from foreign countries, when those expenditures are not in compliance with regulations issued by the [U.S. Treasury Department Office of Foreign Assets Control](#).
- Gifts and prizes, including cash prizes as well as other items with monetary value (e.g., electronic devices, gift certificates).
- The purchase of vehicles such as cars, vans, buses, trucks, and sport utility vehicles.
- Costs associated with non-compliant subawards or subawards made to ineligible recipients.
- Visa costs paid to the U.S. Government (P.L. 109-54, Title III General Provisions, Sec. 406).
 - Costs associated with preparing material for submission for a visa are allowable.

ALLOWABILITY OF COMMON COSTS (§ 200.420 through 476)

Pre-Award Costs. The NEA does not approve costs incurred prior to the start date of the period of performance. Do not include these costs in your project budget or subsequent financial reports for your award (§ 200.308(g)(1)).

Construction and renovation-type projects. Costs associated with project activities such as accessibility-related construction, substantial exhibition design, or installation of heating/air conditioning systems for an arts facility are allowable. Projects that include construction labor must comply with the provisions of the Davis-Bacon Act.

Administrative Closeout Costs. Administrative closeout costs may be included in your project budget and incurred until the due date of the final report(s). You must liquidate these costs prior to the due date of the final report(s) (§ 200.472). Allowable costs include salaries of personnel preparing final reports, costs associated with the disposition of equipment and property, and related indirect costs.

Participant support costs (§200.456). Participant support costs must be documented in your policies and procedures and treated consistently. Allowable costs include stipends, subsistence allowances, travel allowances, registration fees, temporary dependent care and per diem paid directly to or on behalf of program participants participating in or attending program activities under a federal award such as trainings or conferences, but who are not committing effort to the development or delivery of program activities under the award.

- Consultants, project personnel, and staff members of a recipient organization are not program participants.
- Direct costs that support participants' temporary dependent care needs (dependent is defined in 26 U.S.C. 152) to participate in or attend a program activity under an NEA award are allowable, as long as the classification of items as participant support costs are documented in the recipient's written policies and procedures and treated consistently across all federal awards.

Conferences (§ 200.432). A conference is an event whose primary purpose is dissemination of technical information beyond the recipient. Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary, and managed to minimize costs to the award. Allowable costs include the rental of facilities, speakers' fees, attendance fees, costs of meals and non-alcoholic refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the federal award. This includes the costs of identifying and providing locally available dependent-care resources for program participants as needed. Refer to **Section 15: Travel** for more information.

- Costs associated with social activities and entertainment activities at a conference such as closing dinners or receptions are unallowable. Entertainment, gifts, and prizes are also unallowable.

Contingency provisions (§ 200.433). Contingency provisions are estimates of future costs associated with events/conditions that may occur and which are indeterminable at the time a project budget is submitted. You may include contingency amounts for specific items of cost if the amount is estimated using broadly accepted cost estimating methodologies and specified in the award budget (e.g., production contingency). To be allowable, these amounts must comply with the cost principles, be necessary and reasonable for the accomplishment of project objectives and be verifiable from your records.

- Contingency amounts for major project scope changes, unforeseen risks, or extraordinary events are unallowable and cannot be included in the project budget.

Entertainment (§ 200.438). Costs associated with amusement, diversion, and social activities are unallowable. Activities such as receptions, parties, galas, dinners, and other community social gatherings are unallowable. This includes costs such as catering, gifts, and gift cards, as well as costs for the planning, staffing, and supplies for the activities. Generally, this also includes activities at venues such as bars, wineries, and breweries where the consumption of alcohol/social activity is the primary purpose of the venue.

- Alcoholic beverages are unallowable.

Fundraising (§ 200.442). A percentage of salaries and fringe benefits for development or fundraising staff, or fees to contractors, to raise funds used as cost share for the NEA project during the period of performance are allowable. Costs related to development/fundraising staff time and effort spent managing the NEA award are also allowable.

- Costs of fundraising to benefit the general operations of the recipient are unallowable. This may include costs related to financial campaigns, endowment drives, solicitation of gifts and bequests, or similar expenses incurred to raise capital or obtain contributions.
- Costs for events or other activities that are only open to donors are also unallowable.

Subawards to individual artists. Awards to individuals or organizations to honor or recognize achievement are unallowable (P.L. 111–88, October 30, 2009, Sec. 438 (2)). Emergency relief funds for housing, food, etc. to an individual artist are also unallowable.

Neither NEA funds nor the cost share funds for a Partnership Agreement award can fund a fellowship solely as an honorific, therefore costs for this type of award program must not be included in the Partnership Agreement award budget and future financial reports for the award.

However, subawards to individual artists may be allowable if the award funds programs and activities and is not a one-time monetary recognition award to an individual artist. Awards to individuals should include presentations, training, research, and/or creation of an artwork, with tangible outcomes required by the subaward. This is considered a stipend to the artist for the work undertaken and completed.

Rental costs of real property for home office workspace (§ 200.465(f)). Rental of any property owned by any individuals or entities affiliated with the recipient, including commercial or residential real estate, for purposes such as a home office is unallowable.

Publication and printing costs (§ 200.461). Costs related to the development and production of items as part of the approved NEA project activity (e.g., publishing books or exhibition catalogues, or making recordings or films for distribution) and incurred during the period of performance are allowable.

Selling and marketing costs (NEA guidelines, § 200.467, § 200.421(e)(3)). Costs of selling and marketing any products or services of the recipient are unallowable. This includes costs of goods for resale such as the sale of concessions, promotional merchandise, food and/or beverages, T-shirts or other clothing, artwork, or other items for resale. This includes items sold via online or virtual sales/shops and at art markets. It also includes any staffing, technology, or facilities costs related to retail activities.

Prohibited telecommunications and video surveillance services and equipment (§ 200.216 and .471; P. L. 115-232, section 889). You may not buy or obtain, nor extend or renew a contract for, covered telecommunications and video surveillance services and equipment that is prohibited by P. L. 115-232, section 889.

INDIRECT COSTS (§ 200.414)

You cannot claim both direct overhead/administrative costs and indirect costs in your NEA project budget. Recipients may claim indirect costs based on the following:

- **Negotiated Indirect Cost Rate Agreement (NICRA).** A current and appropriate NICRA negotiated with your federal cognizant agency; or,
- **De minimis rate.** A recipient that does not have a current NICRA (including provisional rate) may elect to charge a de minimis rate of up to 15% of modified total direct costs (MTDC) in their project budget.
 - When applying the de minimis rate, costs must be consistently charged as either direct or indirect costs and may not be double charged or inconsistently charged as both.
 - The de minimis rate does not require documentation to justify its use and may be used indefinitely. Once elected, you must use the de minimis rate for all federal awards for which you elect to charge indirect costs until you request and receive a negotiated rate (§ 200.414(f)).

Research indirect cost rates. If you are claiming indirect costs under a NICRA, indirect cost rates applicable to research generally can only be used in project budgets for the NEA's Office of Research & Analysis (ORA) awards. You must use rates applicable to other activities for most NEA awards. Refer to the NEA guidelines applicable to your program, taking into account your own institutional guidance.

Subrecipient use of an indirect cost rate. See **Section 23. Requirements for Subawards Made with NEA funds or Cost Share Funds** for more information and requirements.

Resources. More information about indirect costs for a NEA award can be found in the How to Manage Your NEA Award Handbook and the Indirect Cost Guide on the NEA's website.

15. TRAVEL (§ 200.475 AND 41 CFR 301-1)

Travel costs include transportation, lodging, subsistence, and related items incurred by the recipient or subrecipient's employees who are in travel status on official business attributable to work under a federal award. You may charge these costs on an actual cost basis, on a per diem or mileage basis, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip.

The method used must be consistent with those normally allowed in like circumstances in the recipient or subrecipient's other activities and in accordance with the recipient and subrecipient's established written policies.

For travel costs charged to the NEA award, source documentation must justify that participation of the individual is necessary for the federal award, and that the costs are reasonable and consistent with your established written policy.

Commercial Air Travel (§ 200.475(e)). Airfare costs, whether domestic or foreign, in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable, except when such accommodations would:

- Require circuitous routing.
- Require travel during unreasonable hours.
- Excessively prolong travel.
- Result in additional costs that would offset the transportation savings; or
- Offer accommodations not reasonably adequate for the traveler's medical needs.

The recipient or subrecipient must justify and document these conditions on a case-by-case basis for the use of first-class or business-class airfare to be allowable in such cases.

Fly America Act (41 CFR 301-10.131 through .143). Recipients and subrecipients are required to follow the provisions of the Fly America Act (49 U.S.C. 40118). All air travel and cargo transport services funded by NEA funds or cost share funds must use a U.S. flag air carrier or a foreign airline under an air transport agreement (codeshare agreement) with the United States when these services are available. To comply with Fly America regulations, recipients and subrecipients must purchase the flight via the U.S. airline's designator and flight number if the flight is shared between a U.S. and a foreign airline.

There are some exceptions to the Fly America Act, see 41 CFR 301-10.135 through .138. If recipients or subrecipients use a foreign airline, recipients must provide the NEA and subrecipients must provide the pass-through entity with a certification, including a justification as to why the travel met one of the exceptions. Ticket cost, convenience, or traveler preference are not exceptions to the Fly America Act. Additional information may be requested, if necessary.

Foreign Travel. Foreign travel is any travel outside the United States, its territories, and possessions. For foreign travel not originally identified and approved in a recipient's award budget, you must request prior written approval from the Office of Grants Management before travel is undertaken.

See Section 23. Requirements for Subawards Made with NEA funds or Cost Share Funds for more information on subrecipient travel.