LUMINARY IMPACT
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Budget Narrative Justification Template

How to justify every line so a reviewer approves it, including technology and evaluation costs

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> **Why this document decides funding**
> A budget shows the numbers. The narrative explains them. Reviewers use the narrative to decide whether each cost is legitimate, and a vague justification is the fastest way to lose money you would otherwise have received. This template gives you the structure and the exact language for the lines nonprofits most often get wrong.

The five tests every line must pass

Federal cost principles at 2 CFR 200.403 through 200.405 require that a cost be:

Test	What the reviewer is asking
Allowable	Is this cost permitted under the award terms and the cost principles?
Allocable	Does this cost benefit this award, in proportion to what you are charging it?
Reasonable	Would a prudent person spend this, at this price, for this purpose?
Consistent	Do you treat this kind of cost the same way across all your awards, always direct or always indirect?
Documented	Can you show the math and back it up if audited?

Foundations rarely cite these rules, but they apply the same logic. Write to the five tests regardless of funder.

The formula for every line

Each justification answers four questions in order: what it is, how the number was calculated, why the project needs it, and how it connects to a specific objective.

> **The shape**
> [Cost item] ([exact amount]). [Unit cost] x [quantity] x [time period] = [total]. This [item] is required to [specific project activity], which supports [objective number or name] by [mechanism]. Without it, [concrete consequence to the work].

Worked example: a data and evaluation system

This is the line nonprofits most often place wrong. Reviewers reject it when it looks like general overhead and approve it when it is tied to program measurement.

> **Use this language**
> Participant data and outcome measurement system ($14,400). $1,200 per month x 12 months = $14,400. This system collects participant intake and follow up data, tracks outcomes at 30, 90, and 180 days, and produces the performance reports required under Objective 2. It replaces a manual

> spreadsheet process that cannot support participant level tracking across the follow up intervals this award requires. Costs related to data and evaluation, including data systems and cybersecurity, are allowable under 2 CFR 200.455.

Two points that make this work. First, it names a specific objective rather than describing a general capability. Second, it cites the provision that makes the cost allowable, which removes the reviewer's doubt before it forms.

Where technology belongs in the budget

Category	What goes here
Supplies	Software licenses and subscriptions under the $10,000 per unit threshold, and computing devices under that same threshold. This is where most software belongs.
Equipment	Items at or above $10,000 per unit with a useful life over one year. Most software does not reach this.
Contractual	Services performed by an outside organization under an agreement, including managed services.
Other Direct Costs	Project specific costs that do not fit the categories above, each with its own justification.
Indirect	General operating costs that benefit multiple programs and cannot be tied to one award.

The consistency rule at 2 CFR 200.413 matters here. A cost cannot be charged as a direct cost to an award if a similar cost is already recovered through your indirect rate. Pick one treatment and apply it the same way everywhere.

Fill in your lines

Personnel

Fringe benefits

Travel

Supplies, including software and technology

Contractual

Other direct costs

Indirect costs

Reviewer red flags to avoid

- Round numbers with no calculation shown. Use the real figure. $14,400 reads as researched; $15,000 reads as guessed.
- A miscellaneous or administrative catch all line. This invites scrutiny and often rejection.
- Narrative totals that do not reconcile to the budget form. Check the math twice.
- Equipment and supplies misclassified against the $10,000 threshold.
- A cost charged directly that is also inside your indirect rate.
- Justifications that restate the amount without explaining the purpose.

Sources

- 2 CFR 200.403 to 200.405, cost principles, at ecfr.gov
- 2 CFR 200.413, direct costs and the consistency rule
- 2 CFR 200.455, organization costs including data and evaluation

This template is general guidance, not accounting or legal advice. Your funder's instructions and your auditor govern. Verify current regulation text at ecfr.gov before submitting.