

Practice Time: The Budget

(Adapted from: http://foundationcenter.org/getstarted/tutorials/prop_budgt/index.html)

What is a Project Budget?

A project budget is the estimated financial plan for a project, for which funding is required. This document should include the expenses you anticipate to incur for a specified period of time, as well as earned income that will be generated during the course of the project. The budget is an important component of a proposal, as it represents a financial picture of the project. A well-crafted budget can add greatly to the grantmaker's understanding of your project.

Depending on the funder's guidelines, the budget may be a simple one-page statement of projected expenses, or an entire spreadsheet including projected support and revenue and a detailed narrative, which explains various items of expense or revenue.

Assembling the Budget:

When you begin to assemble the budget, it's helpful to prepare a worksheet that includes a list of all personnel and non-personnel expenses related to the operation of the project. Consider any new costs that will be incurred if the project is funded (i.e. temporary employees or consultants), as well as any ongoing expenses for items that will be allocated to the project. Non-personnel costs might include items such as travel, equipment, office supplies and postage.

Personnel items might include salaries and benefits. Full time employees who will be assigned to work on the project should be included in the budget at the appropriate percentage of time. For example, if the administrative assistant plans to spend 20 hours of her 40 hour work week involved with a project that is expected to last one year, you may budget for 50% of her total salary for the twelve-month period.

Program Budget	
EXPENSES	
Personnel	
Administrative Assistant (50% of full time expense)	\$17,000
Fringe Benefits (@ 15%)	<u>2,550</u>
Total Personnel Expense	\$19,550
Non-Personnel	
Temporary Employees:	
Program Coordinator (15 hrs/week @ \$15.00 per hour)	11,700
Program Assistant (20 hrs/week @ \$9.50 per hour)	9,800
Fringe Benefits (@ 15%)	<u>3,225</u>
Job Readiness Workshop Materials	\$1,400
Office Supplies	1,100
Postage	900
Staff Travel	1,000
Other	<u>100</u>
Total Non-personnel Expense	\$29,225
Total Project Expense	\$48,775

Including Revenue:

If grant support has been already committed to your project through foundation funding, in-kind (non-monetary) gifts, government sources or individual contributions, you will need to provide this information in a support and revenue statement.

The total grant support already committed should then be deducted from the "Total Expenses" line on the budget to give you the "Balance Requested". Any earned income anticipated also should be estimated on the support and revenue statement. For instance, if you work for a local theater group and expect 50 people to attend a performance, charged at \$10 per ticket, on each of the four nights, your line of income would show "Ticket Sales" at \$2,000.

Program Budget	
PROJECT REVENUE	
Grants	
ABC Foundation	\$30,000
XYZ Foundation	10,000
Government	10,000
Individual contributions	12,000
Special Events	
Ticket Sales	<u>2,000</u>
Total Revenue	\$64,000

Calculating Overhead:

Project budgets may include items for overhead costs and fringe benefits. Most budgets include overhead expenses (also called indirect costs), which allows the project to bear a portion of the administrative costs of the day-to-day operation. Depending on the preference of the funder, overhead can be entered in the budget as one line item, or as separate line items. Many funders have policies regarding the percentage of overhead that they will allow in a project budget. Some do not allow any overhead at all to be included, while others allow overhead to be a specific percentage of total costs or personnel costs.

Some overhead items may include a percentage of the bookkeeper's salary, board meeting expenses, rent, electricity and the cost of running the human resources department. These are items that are incurred, whether or not you have the particular project for which you are budgeting, and you can't run an organization without these costs. The formula used for allocating overhead costs to project budgets is usually based on the organization's overhead costs to the organization's total program expenses.

“Each year XYZ Inc., a nonprofit organization, spends \$400,000 on its programs, and \$100,000 in overhead costs. What is the overhead rate? $\$100,000 / \$400,000 = .25$ ”

The overhead rate is 25%, meaning that for every dollar the organization spends on its programs, 25 cents is expended for overhead.”

Budget Narrative:

A budget narrative is useful in defining the costs included on a project budget. A budget narrative often is used to explain line items in the budget. It can be structured in one of two ways. You can create "Notes to

the Budget" with footnote-style numbers or letters on the line items in the budget keyed to numbered or lettered explanations. Alternatively, if there are a number of unusual line items, and an extensive explanation is required for the figures, you may want to structure the budget narrative as straight text.

Program Budget – Food for the Elderly	
EXPENSES	
Salaries (a)	
Program Coordinator	\$35,000
Social Worker	30,000
Benefits (b) (20 % of salaries)	13,000
Office Rent (c)	7,200
Office Supplies	1,000
Travel (d)	800
Total Expenses	\$87,000

(a) A program coordinator is necessary to manage the program and ensure that services are delivered efficiently. A social worker is needed to work with the elderly participating in this program.
(b) Benefits include employer-paid taxes, dental insurance, health insurance and long-term disability insurance
(c) Rent for the office is calculated as 30% of the total rent.
(d) Social worker will attend the annual conference of the National Association of Social Workers.

 Tips:

- Once the entire proposal has been completed, it is recommended that at least one other person close to the project look over the package to ensure that nothing has been left out, and that the budget accurately reflects the description of the project.
- Be careful not to put "Other" on a line with a substantial amount next to it. Remember that funders want to look at a budget and see that it is a reasonable representation of costs for your program. Make sure that "Other" does not take up too high a percentage of the total. A small amount, however, is perfectly reasonable.
- Your list of budget items and the calculations you have done to arrive at a dollar figure for each item all should be summarized on worksheets. These can be essential when you need to remind yourself how the numbers were developed, when you are writing the proposal, and, at a later stage, discussing it with funders.
- If you are submitting proposals to several different foundations, it is usually a good idea to indicate this in your proposal. For example, you might state, "In addition to your foundation, this proposal is being submitted to the ABC Foundation and the XYZ Foundation" or "We have already received a grant of \$30,000 from the ABC Foundation, and are requesting \$15,000 from your foundation, which is the balance required for the project."