Proposal Budgeting Basics

Did you pick up the handouts from the table outside?

Turn off your cell phones, please!
The Proposal Development Process

Planning → Research → Writing → Communication → Pricing
Project Development Process

• More than passion
  – Brainstorm & details
  – Research best practices
• Grounded in reality
  – Resources & time
• Program manager
• Budget
The Myth of the Perfect Proposal

- Follow funder guidelines
- Common Grant Applications
- Online Forms
Today We Will Discuss…

• Components of a project budget
• How to prepare a budget for your project
• Examples of projects budgets
• Other financial components of your proposal
• What happens after the grant
The Project Budget

• What is it?
  – The financial plan for a project, including all project income and project expenses, for a specified period of time

• Why is it important?
Preparing the Proposal Budget

Follow funder guidelines!

• Research each funder
• Use Common Grant Application form where necessary
• Use other required forms
• Pay attention to any exclusions
The Project Budget

- **Support and revenue/Income**
  - Contributed income
  - Earned Income

- **Expenses/Costs**
  - Personnel
  - Non-personnel
  - Overhead/indirect cost

**Budget Narrative**
Personnel Costs

Budgeting Questions:

• Who are all the individuals working on the program?
• What are the amounts for salary and wages?
• How much time does each individual spend working on the program?
• How much do we add for benefits?
<table>
<thead>
<tr>
<th>Task</th>
<th>Hire/in-kind</th>
<th>% time</th>
<th>Pay level &amp; schedule</th>
<th>Benefits</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exec Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Calculation of Fringe Benefit Rate

<table>
<thead>
<tr>
<th>Total Fringe Benefits</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical insurance</td>
<td>$25,000</td>
</tr>
<tr>
<td>Dental insurance</td>
<td>$5,000</td>
</tr>
<tr>
<td>Long term disability</td>
<td>$5,000</td>
</tr>
<tr>
<td>FICA and other taxes</td>
<td>$15,000</td>
</tr>
<tr>
<td>Total</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

| Total Payroll                              | $200,000 |

Fringe Benefit Rate = Total Fringe Benefits/Total Payroll

\[
\text{Fringe Benefit Rate} = \frac{\text{Total Fringe Benefits}}{\text{Total Payroll}} = \frac{\$50,000}{\$200,000} = 25%
\]
Non-personnel Costs (sample items)

- Consultants
- Supplies/Materials
- Computer/other equipment
- Postage
- Printing costs
- Travel
- Food
Estimating Costs

• Research process
• Remember that costs go up
• Costs should be:
  – Reasonable
  – Complete
  – Realistic
Indirect Costs

• What does this mean?
  – Costs not directly attributable to the program, but are necessary to sustain the organization and, by extension, the program
  – Examples: rent, utilities, telephone, human resources, financial/accounting, fundraising, board meetings, copier, fax, and general office supplies

• Indirect costs are also known as:
  – Overhead costs
  – Supporting services costs
  – Administrative costs
Calculation of Overhead Rate

For example:
Program services for Prog. 1 = $200,000
Program services for Prog. 2 = $300,000
Supporting services = $100,000

Overhead Rate = Total Supporting/Total Program Services
$100,000/$500,000 = 20%
Indirect Costs in the Budget

Two methods commonly used to reflect indirect costs:

- Adding a percentage for indirect costs
- Line item by line item using an allocation method
Adding a Percentage of Your Project’s Direct Costs

<table>
<thead>
<tr>
<th>Personnel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>$7,500</td>
</tr>
<tr>
<td>Project Director</td>
<td>40,000</td>
</tr>
<tr>
<td>Benefits @ 25%</td>
<td>11,875</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-personnel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant—Evaluation</td>
<td>$5,000</td>
</tr>
<tr>
<td>Printing</td>
<td>$6,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>4,000</td>
</tr>
</tbody>
</table>

**Total Direct Costs** $74,375

**Overhead**

@ 10% of direct costs $7,438

**Total Project Costs** $81,813
## Placing Indirect Costs by Line Item

<table>
<thead>
<tr>
<th>Personnel</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>10% of effort</td>
<td>$ 7,500</td>
</tr>
<tr>
<td>Project Director</td>
<td>100% of effort</td>
<td>$ 40,000</td>
</tr>
<tr>
<td>Benefits</td>
<td>25% benefit rate</td>
<td>$ 11,875</td>
</tr>
<tr>
<td><strong>Total Personnel</strong></td>
<td></td>
<td><strong>$ 59,375</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-personnel</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant—Evaluation</td>
<td></td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Occupancy</td>
<td></td>
<td>$ 4,000</td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
<td>$ 1,000</td>
</tr>
<tr>
<td>Printing</td>
<td></td>
<td>$ 6,000</td>
</tr>
<tr>
<td>Supplies</td>
<td></td>
<td>$ 4,000</td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td>$ 438</td>
</tr>
<tr>
<td>Administrative &amp; Financial Services</td>
<td></td>
<td>$ 2,000</td>
</tr>
<tr>
<td><strong>Total Non-personnel</strong></td>
<td></td>
<td><strong>$ 22,438</strong></td>
</tr>
</tbody>
</table>

**Total Expenses**  
**$ 81,813**
Support & Revenue Section

Fundraising plan for project:

- Support: Grants and contributions, in-kind support
- Revenue: Earned income
A Typical Support Section

<table>
<thead>
<tr>
<th>Support</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundations, Corporations, and Other Support</td>
<td>$119,530</td>
</tr>
<tr>
<td>Amount requested from the Windsor Fund</td>
<td>$ 23,000</td>
</tr>
<tr>
<td><strong>Total Support</strong></td>
<td><strong>$142,530</strong></td>
</tr>
</tbody>
</table>
Types of In-kind Support

- Time
- Space
- Materials
- Services
Pro Bono Services

- www.grantspace.org
- www.good360.org
- www.taprootfoundation.org
- Law firms
- “pro bono” type of support FDO
Volunteers & Interns

- Track time
- Monetary value of time
Volunteer value

Q: What is the monetary value of volunteer time?

A: The 2012 value of volunteer time is $22.14/hour, a 10.3% increase from 2011, according to the Independent Sector, a coalition of charities, foundations, corporations, and individuals that publishes research important to the nonprofit sector. It reports annual statistics on the estimated dollar value of volunteer time, including historical values back to 1967 and values for each state.

More statistics on volunteers in the U.S. and abroad can be found on the GrantSpace Committee's Statistics on Volunteering page.

Nonprofits typically use the value of volunteer time to demonstrate the support they receive from their communities. Independent Sector advises that if your organization plans to report the value of volunteer services in external financial statements, including grant proposals, you will need to follow generally accepted accounting principles (GAAP), established by the Financial Accounting Standards Board (FASB), which state:

Contributions of services shall be recognized if the services received:

- create or enhance nonfinancial assets;
- or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen.

Per IRS, nonprofits may not report volunteer time as contributions in line 1 of Parts II or III of Form 990, Schedule A. It may be described in Form 990, Part III, Statement of Program Service Accomplishments.

Selected resources below also may help:

Web Sites
Other Financial Information Often Requested

- Audited financial statements
- Organization-wide budgets for recent years
- List of supporters and other funding sources
- Budget narrative
- 990
Hampton Roads Community Foundation

- Current year's organizational budget and/or project budget
- Copy of most recent report/audited financial statement/990
- How project will be sustained
- Listing of additional sources and amount of support
Budget Considerations After the Grant is Approved

- Reporting requirements include reporting on the actual costs vs. budget
- Variances often require approval
- Your budget is something to be considered throughout the grant period
Recap: Steps to Prepare a Project Budget

- **Step 1:** Know your project
- **Step 2:** List the various components of the project
- **Step 3:** Obtain reasonable cost and income estimates for each component
- **Step 4:** Be sure you have included everything, including overhead if allowed
- **Step 5:** Find out what format the funder prefers, if any
Recap: Steps to Prepare a Project Budget, continued

- **Step 6:** Prepare a spreadsheet/summary of costs according to the funder’s specifications
- **Step 7:** Make sure that your budget is neat and mathematically accurate
- **Step 8:** Consider whether a budget narrative is appropriate and if so prepare one
- **Step 9:** Be sure to have your budget and budget narrative reviewed by another person who is familiar with the project
KnowledgeExchange Project
Case Study
Please fill out the evaluation form in your handout packet.

Thank you for coming!
How do I write a grant proposal?

This may be our most popular question. Please visit our Proposal Writing page for introductory or full-day classes, online training, and books that we've produced in response to this question. Check out our free tutorial, Proposal Writing Short Course, and learn about the components of a proposal - the executive summary, statement of need, project description, and budget - and other things you'll need to consider when preparing and submitting proposals.

Start learning now with our free class, Proposal Writing Basics, available free as an online webinar or in-person class.

Finally, keep in mind that proposal writing is just one step in the grantseeking process, according to Jane Geever, author of The Foundation Center’s Guide to Proposal Writing: “The proposal does not stand alone. It must be part of a process of planning and of research on, outreach to, and cultivation of potential foundation and corporate donors.”

Far more time should be spent on developing the program or project and researching and cultivating donors than on preparing the actual proposal.

Sample Proposals

Samples of actual proposals are usually hard to find because the donor and applicant may be very protective of these documents. Also, they usually are very specific to the project, organization, and funder.

However, our Sample Documents section is a searchable collection of proposals, cover letters, letters of inquiry, and proposal budgets that were actually funded. Each proposal includes a critique by the decision-makers who approved the proposal.
Sample Documents

Find Sample Documents
Our collection of Sample Documents delivers winning proposals and more.

Top 15 Documents

- Proposal from Southeast Community College to Community Health Endowment of Lincoln
  Request to fund a community college program to train medical interpreters.

- Letter of Inquiry from Cleveland Entrepreneurial Preparatory School to Burton D Morgan Foundation
  Request from charter school for start-up funding.

- Budget from Recovery Resources to Saint Luke's Foundation of Cleveland
  Budget request for a project.

- Cover Letter from Outdoor Explorations to the Carl and Ruth Shapiro Family Foundation
  Request for multi-year support for capacity building.

- Proposal from Park Pride to Robert W. Woodruff Foundation
  Request for multiyear support for community minigrants program.

- Proposal from Out of Hand Theater to The Community Foundation for Greater Atlanta
  Funding request for staff salaries.

- Letter of Inquiry from Exalt to Blue Ridge Foundation
  Request for start-up funding.

- Proposal from New Jersey Conservation Foundation to the Fund for New Jersey

Documents by Category
- Cover Letters
- Letters of Inquiry
- Letter Proposals
- Proposal Budgets
- Proposals

Add your documents to our collection!
Do you have some great examples of proposals, business plans, and other documents often used in nonprofits?

Help your nonprofit peers by adding yours to our popular collection, searched by 4000+ visitors every month. Send your sample(s) to grantspace@foundationcenter.org.

More Sample Documents
Search other collections of sample documents:
Q: Will foundations fund overhead or administrative costs for nonprofits? What is an acceptable overhead rate?

A: Although many foundations prefer to support direct programmatic activities, many do give grants to help nonprofits cover administrative costs, also known as general operating expenses or overhead costs.

Our database, Foundation Directory Online, allows you to search for funders based on several criteria including Type of Support, of which “general operating support” is a searchable term. You can use the Directory for free at our libraries and Cooperating Collections, or purchase a subscription to use from your own computer. Using this term in the database will help you narrow down your list of potential funders to those that will support general operating expenses that are unrelated to a specific program within your nonprofit organization.

Overhead Amount as a Percentage of Overall Operating Budget
There is no single accepted standard percentage of overhead that can be applied to every nonprofit organization. Nonprofits spend varying amounts of their budget on administrative costs depending on the scope and structure of their operations. However, certain evaluating groups, such as the Better Business Bureau and Charity Navigator, promote recommended benchmarks. These benchmarks may be used by others - including potential donors - to evaluate a nonprofit's levels of efficiency.

Acceptable Overhead Rates Within a Project Proposal to a Foundation
Same as in the previous section, there is no single accepted overhead rate that applies to every nonprofit organization, and this pertains to indirect costs associated with specific project proposals well. But many funders have policies regarding the percentage of overhead that they will allow within 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. To learn more about proposal budgeting, take our free course, Proposal Budgeting Basics, available online or as an in-person class.

Selected resources below may also be helpful.

Web Sites
* indicates staff pick
Q: Where can I learn more about nonprofit audits?

A: The Alliance for Nonprofit Management defines an audit as:

...a process for testing the accuracy and completeness of information presented in an organization's financial statements. This testing process enables an independent certified public accountant (CPA) to issue what is referred to as an opinion on how fairly the agency's financial statements represent its financial position and whether they comply with generally accepted accounting principles (GAAP).

In certain circumstances, Federal funders, state regulatory agencies, and/or foundation prospects may require nonprofit organizations to provide audited financial statements. A charity also may undergo the audit process voluntarily in an effort to ensure their constituents, board members, and other stakeholders that their financial management system is sound.

Check with the Attorney General or Secretary of State in the state(s) where your nonprofit is registered to determine if any audit requirements apply to your organization. Find your state's charity office >>

Some foundations may request audited financial statements during the grant application process. For smaller organizations that can't afford a full audit, a financial review is often a viable alternative, but confirm this with the funder before proceeding.

Selected resources below may also be helpful.

Web Sites

* indicates staff pick

* Financial Review vs. Audit | Association Times
There are two basic types of financial oversight that must be contracted from outside sources—a review or an audit.

* Is It Time for an Audit? | Blue Avocado
In these tough economic times it makes perfect sense that a board of directors would weigh the costs and benefits of spending $10,000 or more on this administrative expense.

* Nonprofit Audit Committees: A Toolkit | American Society of Association Executives (ASAE)
Describes duties and includes a downloadable checklist for board members to discuss financial responsibilities with the
Who creates the proposal

• **Team project**
  – Program staff
  – Financial staff
  – Senior Administrators

One writer/editor!