

Grant Budget Basics

Philanthropy Massachusetts

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Grants & More

www.grantsandmore.org

Agenda

- Introductions
- What's a Budget? What's in it?
- Basic Budgeting Guidelines
- Direct vs. Indirect Costs
- Other Funding Sources: Leverage, Challenge Grants
- Budget Formats and Examples
- Valuing In-Kind Donations and Volunteers
- Who to Involve in Budgeting
- Capital Campaigns
- Reporting
- Q&A

Project Budget

- *“The budget is an essential piece of telling our story. It is not an ‘afterthought’. It plays a leading role in a proposal.”*
-CEO of major nonprofit organization
- *“Budgets are a train wreck.”*
-Foundation program officer in Boston
- *“The Budget is my priority.. I want to see the structure of the whole project laid out there. If I like what I see, I call the development officers at other foundations and ask their opinion of the requesting non-profit. If I get positives responses, THEN I will read the narrative.”*
-CEO of major foundation

What is a Grant Budget?



Project Budget

What is a Budget?

- “Grant Budget” = Project or Program Budget, *not* your Organizational Budget
- A project budget includes both expenses *and* income (sources of funding).
- It is an estimate of income (grants, donations, corporate sponsorships, program income, events, etc.) and expenses (staff, travel, supplies, rent, etc.) for a set period of time.
- Not just numbers! A budget tells a story ...about the project *and* the organization.

Project Budgeting Guidelines

- Do the budget first! You can't write a narrative without knowing what you're asking for
- Budget includes both expenses *and* income (sources of funding)
- Make sure the project budget is balanced (income equals expenses)
- Keep it simple – the budget should typically fit on one page – budget narrative/justification can be on a second page if needed, or requested by the funder
- Use their form, if they provide one
- Be sure the budget *accurately reflects* the costs of the proposed activities and supports the narrative
- Do not include expenses in the budget that are not mentioned or explained in the narrative

Project Budgeting Guidelines

- Don't inflate or pad estimates, exaggerate costs, or "guess" at costs – funders see through it
- For capital or equipment requests, cite the source of your cost estimate (e.g., vendor quote, retailer web site, etc.)
- Document methods/assumptions you used to arrive at cost estimates – chances are a reviewer will identify inaccuracies which may affect the credibility of your entire proposal
- Include assumptions (e.g., travel cost based on X miles at 2020 federal standard mileage rate, 57.5 cents/mi)
- Do a final check for arithmetic errors before submission
- Have someone review it and provide feedback – e.g., Program Director, Grants Manager, etc., especially a new proposal
- Have Finance Dept or Treasurer review and sign off

Direct Costs vs. Indirect Costs

- Direct costs can be identified as directly applying to a single program or project
- Indirect costs are shared among many programs and the accurate percentage of the cost is not easily applied to any one program – a percentage of direct costs
 - May be referred to as Administrative Overhead, Overhead, ICR (Indirect Cost Rate), or other terms

Direct Costs - Staff

- Salaries – Program Staff
- Salaries – Program Manager, Program Director (% of their time devoted to the program)
- Benefits, usually must include:
 - Payroll taxes (i.e., FICA/Medicare): 7.65%
 - Unemployment Insurance
 - Workers Comp Insurance
- Benefits, may include health insurance premiums, dental, life, disability, retirement contribution
- Travel – use organization’s mileage reimbursement rate or standard rate (federal, currently 57.5 cents/mile in 2020)
- Training – conferences, workshops, etc.

Direct Costs – Non-Staff

- Equipment – may be an opportunity to upgrade equipment, for example if the program needs a new computer (if allowed by the funder)
- Transportation (clients) – fuel, vehicle maintenance, bus rental, insurance
- Advertising – related to the program
- Printing, Mailing – related to the program
- Program Supplies (e.g., curriculum, handbooks)
- Occupancy (e.g., rent, utilities, property/building insurance) – if easily allocated
- Other program costs specific to your project or program – e.g., language translation, background checks for volunteers, volunteer appreciation events, outreach events, etc.
- Subcontractors (“pass through” money)
- Client direct assistance (also “pass through”)

Indirect Costs

- Finance, Accounting
- Audit
- HR department
- Payroll systems
- IT Support
- Marketing, Public Relations
- Board – e.g., Directors & Officers Insurance

Other Funding Sources

- Need several sources to meet budget most often
- Shows that other funders are taking a risk
- Leverage
- Your own money! Shows you have “skin in the game”
 - Cash: board, individuals, foundations
 - Non-cash: In-Kind, Volunteers, etc.
 - Organization investment
- Mark as “secured” or “committed”; “pending”; “anticipated”

Budget Formats

- Use the form they give you, if they do
- Philanthropy Massachusetts Common Proposal Form & Budget Template often required
<http://www.philanthropyma.org/resources-tools/common-proposal-form>
- One-dimensional – income and expenses are straight-forward
- Two-dimensional – shows exactly what expense of the project the funder is being asked to fund; shows what expenses others are funding

“One Dimensional” Budget - Example

Project Budget – 7/01/2017 – 6/30/2018

Income

Grants	\$76,200
This Foundation (requested)	\$15,000
Individual & Corporate Donations	\$100,000
Program Service Fees	\$25,000
<u>Total Income</u>	<u>\$216,200</u>

Expenses

Personnel (salaries & wages, fringe benefits & payroll taxes) – Education Dept.	\$147,000
IT Learning Tool Consultants	\$15,000
Program Supplies and Materials (e.g., curriculum, lab)	\$10,000
Information Technology/Equipment	\$5,000
Travel/Transportation	\$2,000
Outreach Week activities	\$4,000
Internships	\$5,000
Advertising/Promotion (brochures, printing)	\$1,000
Occupancy	\$5,700
Administrative Overhead (11%)	\$21,500
<u>Total Expenses</u>	<u>\$216,200</u>

Budget Notes

(example for budget in previous slide)

Budget Notes

- **Grants** for 2018-19 received or expected include Funder1 (\$20,000 received); Funder2 (\$5,000 received); Funder3 (\$3,000 received); and Local Bank Foundation (\$5,000 request planned, they have funded the program the last two years). Another committed source of unrestricted funding we apply to the program is Massachusetts Cultural Council support.
- **Program Service Fees** are from school districts with resources to cover the cost of participating, but do not cover the costs of developing technology learning tools and related equipment. Grants and donations also cover the City students.
- **Personnel** include salaries and wages, fringe benefits, and payroll taxes. These are the Education Director and department staff.
- **Outreach Week** activities include a week of activities in September each year that ends with a family day, one way we engage people of all ages in learning about and collecting data on the changes in flora and fauna in our watershed.
- **Occupancy** includes utilities, maintenance and repairs, property insurance (but not depreciation), and is based on 1/3 of the Education Department allocated to this program and the Education Department is 34.5% of total organizational budget.
- **Administrative Overhead** includes Finance/Accounting, Audit, IT, D&O, and other expenses and functions that are not easily allocated to a single department or program.

“Two-Dimensional” Budget – Example

Project Budget – 7/01/2017 – 6/30/2018	This Request	Other Sources	Total Budget
<i>Income</i>			
Grants	\$20,000	\$71,200	\$91,200
Individual & Corporate donations		\$100,000	\$100,000
Program Service Fees		\$25,000	\$25,000
<u>Total Income</u>	<u>\$20,000</u>	<u>\$196,200</u>	<u>\$216,200</u>
<i>Expenses</i>			
Personnel (salaries & wages, fringe benefits & payroll taxes) – mainly for Educators and Education Director	\$10,000	\$137,000	\$147,000
IT Learning Tool Consultants	\$7,500	\$7,500	\$15,000
Program materials	\$1,000	\$9,000	\$10,000
Information Technology/Equipment	\$0	\$5,000	\$5,000
Travel/transportation	\$500	\$1,500	\$2,000
Outreach Week activities	\$0	\$4,000	\$4,000
Internships	\$1,000	\$4,000	\$5,000
Advertising/Promotion	\$0	\$1,000	\$1,000
Occupancy	\$0	\$5,700	\$5,700
Administrative Overhead (11%)	\$0	\$21,500	\$21,500
<u>Total Expenses</u>	<u>\$20,000</u>	<u>\$196,200</u>	<u>\$216,200</u>

**PHILANTHROPY MASSACHUSETTS COMMON PROPOSAL FORM
PROJECT & ORGANIZATION BUDGET SUMMARY**



Organization Name	Home Goods Bank				
Federal ID #	12-3456789				
	Start Date	End Date			
Budget Period	7/1/2019	6/30/2020			
	Home Goods Bank				
	This	Total	% of	Total	% of
	Request	Project	Total	Organization	Total
		Budget		Budget	
Income Sources					
Government Grants		10,000	0.5%	10,000	0.5%
Foundation and Corporate Grants	5,000	133,500	6.9%	133,500	6.9%
United Way	-	-	0.0%	-	0.0%
Individual Contributions	-	105,100	5.5%	105,100	5.5%
Earned Income	-	38,150	2.0%	38,150	2.0%
Interest Income	-	-	0.0%	-	0.0%
In-Kind Support	-	1,500,000	78.1%	1,500,000	78.1%
Other Income	-	134,900	7.0%	134,900	7.0%
Total Income	5,000	1,921,650	100.0%	1,921,650	100.0%
Expenses (fill in your own line items here)					
Salaries & Wages	2,500	179,660	9.5%	179,660	9.5%
Payroll Taxes	-	44,870	2.4%	44,870	2.4%
Payroll Fees	-	3,250	0.2%	3,250	0.2%
Workers' Comp	-	1,079	0.1%	1,079	0.1%
Rent	2,500	63,600	3.4%	63,600	3.4%
Utilities	-	16,471	0.9%	16,471	0.9%
Project Expense	-	8,900	0.5%	8,900	0.5%
In-Kind Expense	-	1,500,000	79.4%	1,500,000	79.4%
Event Expense	-	27,900	1.5%	27,900	1.5%
Insurance	-	3,724	0.2%	3,724	0.2%
Bank Loan (line of credit)	-	8,460	0.4%	8,460	0.4%
Volunteer Expense	-	1,000	0.1%	1,000	0.1%
Legal & Professional Fees	-	19,750	1.0%	19,750	1.0%
Website/Internet Fees	-	5,500	0.3%	5,500	0.3%
Forklift Lease	-	4,260	0.2%	4,260	0.2%
Postage	-	340	0.0%	340	0.0%
Office Supplies	-	200	0.0%	200	0.0%
Misc Fees	-	600	0.0%	600	0.0%
Travel	-	120	0.0%	120	0.0%
	-	-	0.0%	-	0.0%
	-	-	0.0%	-	0.0%
Total Expenses	5,000	1,889,684	98.3%	1,889,684	98.3%
Excess of Revenue Over Expenses	-	31,966	1.7%	31,966	1.7%

Enter Footnotes Here

A. Footnotes

Other Income: \$75,000 Events; \$59,900 Fees & Dues

Government Grant is Community Development Block Grant

In-Kind Support is donations of household goods from individuals, businesses, corporations (note this number does not count volunteer time)

Project Expense is costs of new mattresses, toys/books, school supplies, holiday gifts, and toiletries to supplement donations

Misc Fees includes bank fees, filing fees, sales tax on product sales

Legal & Professional Fees includes other contracted services and audit

Website/Internet Fees includes Gift Works fees, Network for Good, AdobePro, MicroSoft One Drive, GoDaddy hosting

Volunteer Expense is annual volunteer appreciation event and refreshments for volunteers at major volunteer operations

Payroll taxes is employer portion of Social Security/Medicare

Travel is local mileage reimbursement

3a. Describe briefly how the funds will be used.

<u>Project Budget</u>	<u>Cost</u>
Zoom licenses (10 @\$150/year)	\$1,500
Webcams with built-in speakers (6, one per unit @\$70 each)	\$ 420
Laptops (2 @\$600 each) for staff/members working remotely to assist members with technology	\$1,200
IT for members – desktops (refurbished, approx. \$200 each) or Chromebooks (\$200 to \$300 each), data plans (variable monthly rates), etc. for members to access virtual clubhouse services, telehealth, and family and friends. The requested/budgeted amount will assist approximately 10 members	\$1,880
Total Request	\$5,000

Our request is part of a larger effort to assist members with technology this year and includes staffing, additional equipment, web site enhancements, occupancy, and other expenses (about \$75,000 total).

IMAGINE IF APPLE HAD TO RUN LIKE A NONPROFIT...

I'LL PAY \$700 FOR THIS IPHONE!
BUT I WANT MOST OF THIS MONEY TO BE SPENT ON
DIRECT COSTS. NO MORE THAN \$70 SHOULD BE GOING TO
INDIRECT COSTS LIKE RENT, INSURANCE, ETC. I ALSO
DON'T WANT ANY OF THIS
\$700 TO GO TOWARD
ADVERTISEMENT OR
STAFF SALARIES...



Different ways to present a program budget to different funders and their requirements

- Example 1: “HGB” is located in Lowell and serves 15 cities and towns in the Merrimack Valley. “The Lawrence Foundation” only funds Lawrence. Since HGB tracks where clients live, they know 15% are in Lawrence. Program Budget is presented as 15% of the Organization Budget.
- Example 2: “Helping New Bedford” serves 75% women and their children in New Bedford. “The Women’s Fund of New Bedford” funds programs that benefit women. Program budget is presented as 75% of the Organization Budget. Assumption: serving women’s children benefits the women too
- Example 3: Yours?

Budgeting Scenarios

- Example 1: Organization is launching a new component of a successful after-school program. They want to serve 25 more students this year through additional outreach and curriculum to support students with special needs. They are seeking additional funding of \$20,000 for this effort. What resources should they include to meet this goal? Assumption: 12-month period

Budgeting Scenarios

- Example 2: Organization has additional COVID related expenses. They provide emergency shelter to homeless families. What additional resources should they include to meet this goal? Assumption: 12-month period; # served is the same

Valuing In-Kind Donations and Volunteers

- In-kind donations and volunteer hours provide *leverage* – show them in a project budget or budget narrative
- Examples of in-kind donations – donated office space, volunteer time, product donations for events, professional services, etc.
- Valuing in-kind donations: research market rates on the internet at retailer sites, Craigslist; use the value the donor declares; other methods? Goodwill and Salvation Army have valuation guides
- Requires tracking though!
- Indirect costs (administrative overhead) **do not apply** to non-cash “expenses”.

Budget showing In-Kind Donations

continued on next page

Program Budget – 01/01/2018 – 12/31/2018		
Sources of Funding	Amount	Status
Leadership donors	\$50,000	committed
Access Fund (annual appeal contributions allocated to this program)	\$10,000	committed
This request	\$5,000	requested
Other foundations & grants	\$42,000	committed
Other grant requests	\$38,475	planned
Total	\$145,475	
Expenses		
Tickets to performances (55% of ticket price)	\$76,500	
Personnel (Education Department)	\$26,250	
Professional fees	\$3,000	
Program materials & supplies, curriculum	\$5,500	
Occupancy	\$8,250	
Travel (local)	\$1,500	
Miscellaneous: marketing, conference, video production	\$5,500	
Total Direct Expenses	\$126,500	
Indirect Costs (15%)	\$18,975	
Total Expenses	\$145,475	

Program Name Budget – 01/01/2018 – 12/31/2018 (continued)		
In-Kind Contributions		
Touring Company: Discounted tickets to 2 performances (45% of cost)	\$62,595	committed
Local transit authority: \$3.00 fare * 2,400 students or transportation donated by local bus company, about 25 to 30 buses per show, comparable value to local transit	\$7,200	committed
Total In-Kind	\$69,795	
Budget Notes:		
-Ticket costs: the touring companies donate a reduced rate for these special performances to help make the program possible.		
-Staff expenses includes salaries, payroll taxes and benefits, based on 8 weeks staff time devoted to this program.		
-Occupancy includes building maintenance, supplies and repairs; utilities; insurance; and depreciation, based on Education Dept's allocation/usage of facility and 16.6% (8 weeks) of Education Dept. staff time		
-Indirect Costs include Finance, audit, HR, IT, payroll, etc.		

Volunteers

- Independent Sector: <https://independentsector.org/resource/the-value-of-volunteer-time/> compiles **the value of a volunteer hour** nationwide and on a state by state basis. **The estimated dollar value of volunteer time for 2019 is \$27.20 per hour.** Charitable organizations can use this estimate to quantify the value volunteers provide.

2019 figures are also by state. In New England:

- Massachusetts \$32.96 (up 2.5% from 2018)
 - Connecticut \$32.07 (up 3.3%)
 - Rhode Island \$27.17 (up 1.3%)
 - New Hampshire \$26.23 (up 1.8%)
 - Vermont \$25.18 (up 2.4%)
 - Maine \$24.21 (up 4.7%)
- According to the Corporation for National and Community Service, 77.4 million people in the U.S. gave 6.9 billion hours of volunteer service worth \$187.7 billion in 2018.

Volunteer Example

- Example: Performing Arts Theatre
- From its 2018 annual report: “Last year, 278 individual volunteers served 27,445 hours. In total, theatre volunteers have donated over \$6.8 million of in-kind services to our nonprofit organization since 2008.”
- In a 2015 grant proposal: “The theatre enjoys wide community support with over 250 leadership donors, 4,000 members and subscribers, and 250 volunteers contributing \$450,000 of in-kind services annually.”

Who to Involve in Budgeting

- All volunteer organization? Treasurer, President, Grant Writer
- Large \$60M organization? Program Director, input from Finance Dept (CFO, Finance Director, or Comptroller)
- Program (Direct) Expenses from Program Director or Program Manager, typically
- Indirect, Fringe Rate from Finance Dept. (larger organizations), can also be found from Form 990
- For capital campaigns? Capital campaign committee, Executive Director
- For equipment expenses? Program department

Capital Campaign Budgets

- First, secure lead individual/board donations before going to foundations/government grants – success is far more likely
- Large campaigns: secure largest donations first before smaller ones – momentum
- Large building projects – include project management costs, permitting, contingency
- Include campaign expenses – campaign consultant, fundraising costs, grant writer
- Alternative: could do piece-meal – go for grants project by project (e.g., renovate interior of a small office building to use for supervised remote learning site; driveway paving; new signage), then show these as part of a larger campaign where you can show some funding has been previously secured.

Capital Campaign Budget Example

Capital Campaign - Sources & Uses by Phase

Sources of Funds	Amount	Status
Corporate foundation - lead funder, naming rights	\$1,175,000	Secured
Other corporations, corporate foundations	\$390,000	\$100,000 secured
Regional foundation	\$750,000	Pledged
Local family foundation	\$1,500,000	Pledged
Local foundation	\$410,000	Pledged
Other local foundations	\$1,630,000	\$1,100,000 secured
Individual lead donors \$100k+	\$330,000	Secured
Other individual donors	\$230,000	\$150,000 secured
Mass Cultural Facilities Fund	\$725,000	Pending
City Microloan	\$100,000	Secured
MassDevelopment	\$260,000	Secured
	\$7,500,000	
Uses of Funds	Amount	
Building acquisition	\$1,125,000	
Construction costs	\$5,375,000	
Soft costs	\$315,000	
Furniture, fixtures & equipment	\$335,000	
Interior renovations	\$350,000	
	\$7,500,000	

Resources/Links

- Philanthropy Massachusetts Common Proposal Forms (includes budget, proposal and reporting forms):

<https://www.philanthropyma.org/resources-tools/common-proposal-form>

- Grants & More resources

<http://www.grantsandmore.org/resources> - links to free search engines, evaluation resources, grant readiness checklists, and other resources

Learn More / Get Connected

- Grant Professionals Association (GPA)
 - annual national conference
 - free access to GrantStation funding prospect database
 - online discussion groups for members “GrantZone”
 - <http://www.grantprofessionals.org/>
- GPA New England Chapter
 - regular meetings with professional development and networking
 - regional conference every other year (2021 is next conference, probably virtual in 2021)
- LinkedIn Groups – Grant Professionals Association, Professional Grant Writers, Grant Writers Network, others
- Philanthropy Massachusetts – philanthropyma.org (training, forms for budgets, reports, proposals, lots of resources)

Thank You Please Take Survey!

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Grants & More

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