INTRODUCTION TO PROJECT BUDGETS

Components of a Project Budget

INCOME
- ◆ **Grants/Contributions**
- ◆ **Earned Income**
  - – Fees for Services
  - – Sale of Goods

EXPENSES
- ◆ **Direct Costs**
  - – Personnel
  - – Non-Personnel
- ◆ **Indirect Costs (overhead)**

Key Takeaways
- ◆ Know your project thoroughly
- ◆ Estimate all the direct costs
- ◆ Include a percentage for indirect costs
- ◆ Estimate all possible income

Estimating the Cost of Your Project

- ◆ **Research three estimates**
- ◆ **Collect and document each quote**
- ◆ **Choose the estimate that is most reasonable and appropriate for your project**

Visible Costs (Direct Costs) — Project Costs

Hidden Costs (Indirect Costs) — Rent/Utilities, Telephone/Internet, Office Supplies, Marketing, Communications, Administrative Staff, Fundraising

Calculating Your Indirect Cost Rate:
Indirect Cost Rate = Total Indirect Costs/Total Direct Costs

What Funders Want to See in Project Budgets

- ◆ **Your estimate of the true cost of the project**
- ◆ **Your anticipated income to meet those costs**

If You Know Your Budget, You Can Plan Your Budget
- ◆ Your budget should be a mirror reflection of your proposal
- ◆ Everything that is in your proposal should be represented in your budget

☞ **Create and maintain a 'document drawer.'**

Other Financial Information Often Requested
- ◆ Audited financial statements
- ◆ Organization-wide budgets for recent years
- ◆ List of supporters and other funding sources
- ◆ Annual report
- ◆ Budget narrative
- ◆ IRS Form 990

Budget Considerations After the Grant is Approved

- ◆ **Your budget is something to be considered throughout the grant period**
- ◆ **Reporting requirements include reporting on the actual costs vs. projected costs**
- ◆ **Variances often require approval**

Sample Budget

INCOME		
Grants/Contributions		
Foundations		$37,000
Corporations		$16,000
Individuals		$45,717
Federated Giving Programs		$2,875
	Total Grants/Contributions	**$101,592**
Earned Income		
Publications	Calendars	$425
Products	T-Shirts	$2,000
	Total Earned Income	**$2,425**
In-Kind Support		
Volunteers		$6,644
Program Space/Rent		$13,000
	Total In-Kind Support	**$19,644**
	Sub-Total	**$123,661**
	Amount To Be Raised	**$74,644**
	TOTAL INCOME	**$198,305**
EXPENSES		
Personnel Costs		
Executive Director	10% (@ $60,000/yr)	$6,000
Program Director	100% (@ $45,000/yr)	$45,000
Program Assistant	50% (@ $30,00/yr)	$15,000
Tutors	25% (2 @ $20,000/yr)	$10,000
	Sub-Total	**$76,000**
	Fringe Benefit Rate (11%)	$8,360
	Personnel Total	**$84,360**
Non-Personnel Costs		
Consultants	Program Evaluation	$11,000
	Social Worker	$30,000
Volunteers (Tutors)	(2 @ $23.07) 4 hrs x 36 wks	$6,644
Supplies/Materials		$1,800
Printing		$975
Postage		$75
Travel	Ground Transportation	$12,300
Food/Beverage	Snacks	$1,550
Program Equipment	Computers (x2), Software	$3,550
Program Space/Rent		$13,000
	Non-Personnel Total	**$80,894**
	Sub-Total	**$165,254**
	Indirect Cost Rate (20%)	$33,051
	TOTAL EXPENSES	**$198,305**

DEFINITIONS:

Expenses: The total cost of a project—includes direct and indirect costs.

Direct Costs: Costs that are directly attributable to a specific project—includes personnel and non-personnel costs.

Personnel Costs: The salaries or wages of all staff directly involved in the project.

Non-Personnel Costs: All expenses, excluding personnel costs, directly related to a project.

Indirect Costs: Expenses not directly attributable to a project, but are necessary to sustain the project (e.g. rent, utilities, etc.). These costs are sometimes called administrative costs, overhead costs, operating costs or support services.

Income: Also referred to as support and revenue—includes grants and contributions as well as earned income.

Earned Income: Income generated by charging fees for services or selling items or goods (e.g. ticket sales, t-shirt sales, etc.).

In-Kind Support: Gifts that are not monetary, such as goods or services donated to an organization.

Budget Narrative: A brief description that may accompany a budget; can be used to clarify specific line items, explain how the costs were estimated, and/or justify the need for the costs.

Visit us at **foundationcenter.org** and **grantspace.org** for more information.