# INTRODUCTION TO PROJECT BUDGETS

## Components of a Project Budget

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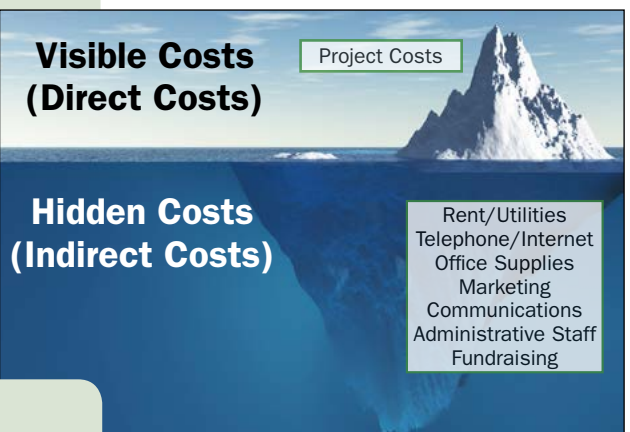  - – Sale of Goods

**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**

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

### If You Know Your Project, 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

## 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**

### 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

## 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.

### NEXT STEPS

## Check Out These Classes:

◆ Introduction to Finding Grants
◆ Introduction to Fundraising Planning
◆ Proposal Writing Workshop
◆ Proposal Writing Boot Camp

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