

# Crafting The Project Budget

The financial plan for your project or organization



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# Why is the Budget So Important?



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# For Starters...

## Dos

- Make sure your budget math adds up
- Provide an accurate picture of the financial cost of the project
- Follow the funder's guidelines regarding exclusions and format

## Don'ts

- Include costs that aren't outlined in the narrative
- Make it seem like you've pulled figures out of thin air (or worse places)
- Neglect to include required supporting documents

# Key Steps in the Proposal Budgeting Process

- Step 1** Know your project
- Step 2** Obtain cost and income estimates for each component
- Step 3** Research the guidelines of the potential funder
- Step 4** Prepare budget
- Step 5** Have an independent review of your budget

# Personnel Budgeting Questions

1. Who are all the individuals working on the program?
2. What are the amounts for salary and wages?
3. How much time does each individual spend working on the program?
4. How much do we add for benefits?

# Calculating Personnel Costs

Calculation:  $\$49,000 \times .90 = \$44,100$

<b>Position</b>	<b>Annual Base Salary</b>	<b>Percent of Effort</b>	<b>Amount</b>
Project Director/ Counselor	\$49,000	@ 90% of effort	\$44,100

# Fringe Benefits and Payroll Taxes

- Health insurance
- FICA
- Dental insurance
- Disability insurance
- Long-term disability
- Life insurance
- Unemployment insurance
- Workman's compensation
- Pension/Retirement plan
- Other

# Calculating the Fringe Benefit Rate

Medical	\$25,000
Dental	5,000
Long-term disability	5,000
FICA and other taxes	15,000
<b>Total fringe benefits</b>	<b>\$50,000</b>

**Total payroll = \$200,000**

**Fringe benefit rate = Total fringe benefits ÷ Total salaries**

**\$50,000 ÷ \$200,000 = 25%**



# Fringe Benefits in the Budget

Executive Director	\$60,000 @ 10% of effort	\$ 6,000
Project Director	\$34,000 @ 100% of effort	34,000
<b>Total Salaries</b>		<b>\$40,000</b>
Payroll taxes and fringe benefits	25% benefit rate	\$10,000
<b>Total Personnel Expense</b>		<b>\$50,000</b>

# Calculating Non-personnel Costs

Costs should be:

- **Reasonable** – necessary for the project and scaled in proportion to project goals
- **Complete** – include all costs and staff time required to accomplish project
- **Realistic** – cost projections should be thoroughly researched; don't underestimate or overestimate

# Indirect Costs

May include:

- Financial/Accounting
- Fundraising
- Marketing
- Office equipment
- Rent, utilities, telecom

# Two Common Methods of Adding Indirect Costs to a Project Budget

- Method 1: Adding a percentage for indirect costs
- Method 2: Line item by line item using an allocation method

# Calculating the Indirect Rate

Executive director	\$55,000
Support staff	35,000
Rent	80,000
Utilities	23,000
Office equipment	5,000
Office supplies	2,000
<b>Total indirect costs</b>	<b>\$200,000</b>

**Overall program costs = \$2,000,000**

**Indirect rate = Total indirect costs ÷ Direct/program costs**

**\$200,000 ÷ \$2,000,000 = 10%**

# Adding a Percentage of Your Project's Direct Costs for Indirect Costs

## Personnel

Project Director	\$ 25,000
Benefits	6,000
<b>Total Personnel</b>	<b>\$ 31,000</b>

## Non-personnel

Printing	\$ 6,000
Supplies	3,000
<b>Total Direct Costs</b>	<b>\$40,000</b>

Overhead (10% of direct costs)	\$ 4,000
<b>Total Project</b>	<b>\$44,000</b>

# Placing Indirect Costs in the Budget by Line Item

## Personnel

Project Director	Salary \$30,000 @ 10 months effort	\$ 25,000
Benefits	24% benefit rate	\$ 6,000
<b>Total Personnel</b>		<b>\$ 31,000</b>

## Non-personnel

Occupancy		\$ 2,500
Telephone		\$ 1,000
Supplies	For 50 HS journalists over 9 months	\$ 3,000
Printing		\$ 6,000
Insurance		\$ 500
<b>Total Non-personnel</b>		<b>\$ 13,000</b>
<b>Total Expenses</b>		<b>\$ 44,000</b>

# Income: Support and Revenue

- Foundation grants
- Corporate support
- Government/Public support
- United Way/Federated funds
- Individual contributions
- Special events
- Earned income



# Placing In-kind Support in the Budget

## Support and Revenue

Foundations	\$ 45,000
Earned Income: Ticket Sales	500
In-kind Support*	5,000
Amount Requested	26,000
<b>Total Support and Revenue</b>	<b>76,500</b>

## Expenses

### Personnel

Project Director	25,000
Benefits	6,000
<b>Total Personnel</b>	<b>31,000</b>

### Non-personnel

Computer Equipment	31,000
Printing	6,500
Supplies	3,000
Rent*	5,000
<b>Total Non-personnel</b>	<b>45,500</b>
<b>Total Expenses</b>	<b>76,500</b>

\* Value of annual rental donated by the Village of Madison.

# Budget Narrative

- Provides an explanation of your calculation for each line item
- Describes what the line item will be used for
- Avoids reader misunderstanding

# Other Financial Documents

- Latest operating budget
- Audited financial statements
- Form 990
- Major supporters