

Preparing a Budget to be Included in a Proposal



PREPARING THE BUDGET

Every budget has two parts, Expenses and income. When they are complete, they match.

THE EXPENSE BUDGET

Estimating the expenses of a project goes hand-in-hand with project planning. If, for example, an organization is planning to hold a seminar, but does not include the cost of printing and mailing invitations in its project budget, the organization is unlikely to accomplish its goal.

The Expense section of the typical budget has five categories:

- Salaries and Fringe Benefits
- Materials (Expendable items)
- Travel and Subsistence
- Equipment (Permanent)
- Other

SALARIES AND FRINGE BENEFITS

The Salaries and Fringe Benefits category contains line items that detail:

- Percentage of time to be spent on the project times the annual gross income of the position; or
- The hourly wage times the number of hours per week times the number of weeks to be spent on the project.

Other variations can occur, but be consistent.

Fringe benefits, including state unemployment insurance, worker's compensation, FICA (Social Security), health and life insurance, pension, and professional dues/education can be listed separately or as a percentage of the total payroll. In any case, fringe benefits should not exceed 15 percent of the total payroll unless separate line items explain the benefits. Benefits should be calculated based on full-time salaries. Part-time employees are generally excluded from receiving fringe benefits.

A sub-section of Salaries is Contractual Services. Contractual Services includes any services for which the organization must contract outside of its staff. Some examples of contractual services include consultants, accountants, lawyers, technicians, and architects.

MATERIALS

Materials are items that are used up over time. Often supplies are needed to make equipment function. Examples of materials are: paper, pencils, pens, photocopy paper, toner, blank floppy disks, computer software and programs, printer ribbons, chalk, and film. You may list inexpensive office supplies such as paper, pens, pencils, printer ribbons, and chalk as a single line item called "office supplies."

TRAVEL AND SUBSISTENCE

Travel and Subsistence should be based on the project-related costs of travel, meals, and accommodations. For example, if the Project Director must travel to 15 sites to oversee the project, estimate the cost of each round-trip ticket. Call a travel agent for figures and arrive at an average cost. Then, figure out what the daily meals and lodging at each site will be and determine an average figure per day.

EQUIPMENT

The Equipment category covers any permanent items that must be purchased to conduct the project. "Equipment" is not an item that is used up or runs out over time. Examples of items that may be considered equipment include: computers and computer related hardware, typewriters, photocopy machines, blackboards, video recorders, cameras, pre-recorded video taped programs, tables, chairs, and vehicles ... all of which are purchased, not rented.

OTHER

Anything that cannot reasonably be placed in another category may be included in Other. Rent and utilities are usually listed in this category. Other items often include postage, telephone service, courier services, and distribution costs.

A percentage of overhead expenses, such as rent and utilities, can be included in a project budget. To keep this estimated cost reasonable, determine the percentage of the organization's total resources that are used in the project and include that percentage in the project budget. If, for example, an organization devotes 20 percent of its resources and time to a particular project, a percentage of the cost of office space can be included in the project budget. No line item such as "miscellaneous," or "contingency," and no lump sum representing overhead is ever included.

THE INCOME BUDGET

The most important thing to remember when preparing the income section of the budget is that the total income of the organization or project must equal the total expenses. This balance will be achieved by including funds yet to be raised in the Income section of your budget. Remember -- the total income includes the grant you are requesting from the source to which you are submitting the proposal.

The Income section of the budget has four major categories:

- Cash
- In-Kind
- Earned Income (Revenue)
- Contributions.

CASH

Cash is defined as money that will be available for the project, but that you did not request. Interest from bank accounts, endowments, treasury bills, certificates of deposit, and income from dividends of stock are generally considered Cash.

IN- KIND

The In-Kind category lists actual products or services donated to your organization. The kinds of products or services that can be donated to your organization are endless, but in-kind contributions include the following:

- An accounting firm performs your audit free;
- A computer company donates computer equipment to your organization;
- A publisher agrees to publish your manuals and handle all printing and distribution free;
- A secretary volunteers administrative services.

Some rules about how to list in-kind donations of products or services in your budget are:

- **ITEMS LISTED AS IN-KIND DONATIONS IN THE INCOME BUDGET MUST BE LISTED VERBATIM IN THE EXPENSE BUDGET.** For example, if a theater company needs five cans of paint for a production, the supplies category of the expense budget will list:

5 cans of paint @ \$20 \$100

If Sherwin Williams agrees to donate five cans of paint to the theater company, the In-Kind category of the Income budget will list:

5 cans of paint @ \$20 \$100

DO NOT LIST ANYTHING AS AN IN-KIND CONTRIBUTION THAT IS NOT LISTED IN THE EXPENSE BUDGET. For example, if a refrigerator is donated to an organization, and the Expense budget did not list a refrigerator as a needed item, the refrigerator cannot be listed as an in-kind contribution.

- If a person does volunteer work on a project that the organization would otherwise have to pay someone to do, that volunteer's time is considered an in-kind contribution and has cash value. The formula for figuring out the value of a person's time as an in-kind contribution is:

If a person does volunteer work in an area in which he or she is professionally employed or considered an expert, that person's time is worth whatever the individual normally charges to perform those services, and is based on a demonstrated ability to command such payment.

If a person does volunteer work in an area that he or she has not been professionally employed, that person's time is only worth minimum wage.

If, for example, a lawyer who generally charges clients \$150 an hour agrees to donate 10 hours of legal services to an organization, that person's time is worth \$1,500 as an in-kind contribution. If the same lawyer donates time as a carpenter, that person's time is only worth minimum wage.

- **As with any other in-kind contribution, donations of a person's time must be listed verbatim in the Salaries category of the Expense Budget. If a person works 40 hours for the organization, but only donates 20 of those hours in-kind, the paid time and the volunteered time must be listed separately.**

EARNED INCOME (REVENUE)

Earned income is any income that will be generated as a result of sales of products or services associated with the project. For a theater company, Earned income is generated from ticket sales. Earned Income is also produced from contracts, fees for service, sale of publications or products, tuition, rental of space or goods, memberships, and sale of subscriptions or other items such as T-shirts, bumper stickers, or produce from a model agricultural project.

CONTRIBUTIONS

The Contributions category has four subcategories: Corporate Grants, Foundation Grants, Government Grants, and Individual Contributions. Individual Contributions includes bequests, gifts, and income from direct mail.

The Contributions category should list all contributions committed, pending, and to be requested. The easiest way to understand this concept is to remember that the proposal budget is always a projected budget, not an actual budget, and that you are estimating as precisely as possible the expenses and sources of income for the project over a given period of time.

Contributions should always include line items showing how much you are requesting from individuals, foundations, corporations, and government agencies. **Always make sure that the foundation or corporation to whom your proposal is directed is listed last in this category.** This placement highlights the request and illustrates how the source's contribution fits into the big picture. This listing also proves that the source's support is crucial to your project.

ACCOUNTABILITY AND UPDATING THE BUDGET

The Expense budget, once final, should not change substantially. Do not send different budgets for the same project to a variety of potential donors. Grantmakers communicate with each other frequently, and if they discover that an organization sent a \$50,000 project budget to one foundation and a \$150,000 budget for the same project to another foundation, that organization's credibility and fiscal accountability will be questioned.

Unlike the Expense budget, the Income budget will change as new grants are received, and those that were listed as pending either become committed or are dropped off the list. The floating figures that make your total income equal total expenses are the three line items under the Contributions category called Other Foundations, Other Corporations, and Individual Contributions. These line items indicate money that will be raised but has not yet been requested. As you raise funds, these line items are considered requests to be made, and you may work with the figures so that your total income will equal total expenses.

On the following pages is a sample of a project budget. Note that the budget covers a one-year period from January 1, 2006 to December 31, 2006. Bold type should be used and categories subtitled, as in this sample budget, to highlight the different categories and make the budget easier to read.

PROJECT BUDGET

January 1, 2006 -- December 31, 2006

Expenses

Salaries and Fringe Benefits:

Full-Time Payroll

Project Director (full time)	\$18,000
Two Editors (full time @ \$18,000 a year)	36,000
Public Relations Coordinator (30% of full time)	6,900
Secretary (75% of full time)	10,000
Secretary (25% of full time)	3,750
Executive Director (20% of full time)	<u>8,000</u>
Subtotal	\$82,650

Fringe Benefits (15% at \$82,650)	<u>\$12,397</u>
	\$95,047

Part-Time Payroll

5 Local Site Coord. @ \$1,000 each	\$5,000
Subtotal	<u>\$5,000</u>

Total Salaries and Fringe Benefits	\$100,047
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Contractual Services:

Computer Training Consultant	\$6,000
Price, Waterhouse, Inc. for audit	<u>4,000</u>
Total Contractual Services	\$10,000

Travel and Subsistence:

Project Director - round-trip airfare to 5 project sites @ \$400 per site	\$2,000
Executive Director - round-trip airfare to 2 project sites @ \$400 per site	800
Ground transportation for 5 local site coordinators at 10 days per site x \$10 per day	500
Meals and accommodations for Project Director at 5 project sites @ 3 days per site x \$75 per diem	1,125
Meals and accommodations for Executive Director at 2 project sites @ 2 days per site x \$75 per diem	<u>\$300</u>
Total Travel and Subsistence	\$4,725

Equipment:

4 Computers with monitors, single floppy drive, and 8.5 GB hard drive @ \$4,000	\$16,000
2 Electric Typewriters @ \$500	500
40 Copies of a video-taped program produced by Light Studios, Inc. @ \$80 per copy	3,200
Mouse and controller card, graphics board, and expanded memory for desk-top publishing	<u>550</u>
Total Equipment	\$20,250

Supplies:

Word processing software for 4 computers @ \$250 .	\$1,000
Desk top publishing software for one computer	600
Office Supplies	1,000
10 boxes floppy disks @ \$25	<u>250</u>
Total Supplies	\$2,850

Other:

Rental of VHS Video Cassette Recorder for 1 day at 5 program sites @ \$40 per day	\$200
Printing 100 press kits @ \$2.00	200
Rental of overhead projector for 1 day at 5 program sites @ \$25 per day	125
Photocopying of 200 manuals @ 100 pages x \$03 per page	600
Postage to mail press kits, manuals, and other project-related correspondence	500
Telephone @ \$100 per month x 12 months	1,200
Rent of office space for project administration @ \$1000 per month x 12 months x 25%	3,000
Utilities @ \$200 per month x 12 months/year x 25%	600
200 T-shirts @ \$2.00	<u>400</u>
Total Other	\$6,825

TOTAL EXPENSES**\$144,697**

Income

Cash:

Interest on Endowment Fund	<u>\$10,000</u>
Total Cash	\$10,000

In-Kind:

Secretary (25% of full time)	\$3,750
Price, Waterhouse Inc. for audit	4,000
4 Computers with monitors, single floppy drive, and 8.5 GB hard drive \$4,000	16,000
40 copies of a video-taped program produced by Light Studios, Inc. @ \$80 per copy	3,200
200 T-shirts @ \$2.00	<u>400</u>
Total In-Kind	\$27,350

Earned income:

Sale of 200 manuals at 1/2 production cost(\$1.50 each x 200)	\$300
Sale of 200 T-shirts @ \$5.00	<u>1,000</u>
Total Earned Income	\$1,300

Contributed Income:

Individual Contributions: Board of Directors	\$10,000
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Corporate and Corporate Foundation Grants:

AT&T Corporation (committed)	10,000
Gannett Foundation (pending)	7,500
IBM, mc. (received)	10,000
Other Corporations (to be requested)	11,000

Foundation Grants:

Johnson Trust (committed)	10,000
The Cruikshank Fund (committed)	15,000
The Harvey Foundation (pending)	5,000
Other Foundations (to be requested)	19,547

Total Requested From The XYZ Fouiidation	<u>\$8,000</u>
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Total Contributed Income	<u>\$106,047</u>
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TOTAL INCOME	\$144,697
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